

CLINTON V. LEWINSKY: TRUTH AND CONSEQUENCES



CANADA'S WEEKLY

NEWSMAGAZINE

# Maclean's

AUGUST 10, 1998

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# From The Editor

## A tough sell of big as best

John Cleghorn, the preensible CEO of the Royal Bank of Canada, arrives with his facts at the ready. His institution collected \$7.3 billion in the Canadian economy, almost half of it in sales. Average return on equity? In the middle range, behind tobacco, automotive and chemical companies. Bank level? Cheaper than in the United States for 13 popular sectors by 550. World rank in 1976, 12th. In 1997, 49th.

And John Cleghorn's world is changing, fast. Five years ago, who would have thought that Bill Clinton's Internet financial site could be a serious challenge? Or that Citicorp would lose the federal government's credit card business? Or that Wells Fargo would be offering unsecured loans of as much as \$75,000 to qualified Canadian small businesses via mail and telephone?

Why then can't Cleghorn and his colleagues get more respect for their advice to merge four big banks into two so they can take on the global challenge? It is a question they have pondered deeply and pulled no punches, in search of the magic arguments that will convince Finance Minister Paul Martin and the Liberal government that big is best.

So far, they have not made their case. Note one banker's major strategy: "When you ask them to give you one good reason why this will be good for customers, they look at it the way banks look at clients," Cleghorn bristles at the comment. "Give me your source, or otherwise it's anecdotal evidence."

There are tougher arguments in Ottawa. The Liberal backbenchers are hostile, aware that the mergers almost certainly will lead to layoffs and bank closures in their communities. Martin, who has said that he will follow the lead of a tank force on mergers, is in a pickle. Rejection could bring down the soaring stock prices of the



big banks, wiping out the fabulous paper profits that now sit on mutual-fund and personal portfolios. At the same time, Martin, the politician, the leading candidate to replace Prime Minister Jean Chrétien at the helm of Canada's National Governing Party, needs to demonstrate to the people that he is not Bay Street's patsy.



Cleghorn: a changing world

As the high stakes battle plays out through the rest half of the summer, Cleghorn is taking to the road in a series of speeches, town halls and meetings with editorial boards. At one of his latest stops last week at Montreal's, Cleghorn was an ardent proponent of the mergers and was carefully briefed on handling the singers (or ignored them). Challenged about the useful service that many bank customers experience across the system, Cleghorn simply hardened back to worse days when people lined up for their psychoplasms. As for skepticism about layoffs and closures, he insists that "no small town or rural community will lose service as a result of this merger" and that the job cuts will be "contained well within our strictest levels" (about 5,000 annually at the Royal).

Still, it is a fairly bloodless roadshow, laden with charts and statistics and, mainly, arguments about why the mergers are good for the banks. The companies has yet to find its defining moment, its all-encompassing truth, with the one question that the world can answer with a ringing yes. In the absence of that, it may be easier for the politicians simply to say no.

Robert Lewis

## Newsroom Notes:

### Sex, truth and videotape

The question around the U.S. capital last week, reports Washington correspondent Andrew Phillips, was "How low can it go?" That was not a reference to the ongoing issue—the subject of this week's cover story (page 32). Rather, it referred to the level of public discourse surrounding the Presidency. In recent weeks, responsi-

ble news outlets have been defending themselves against accusations in a U.S. media magazine, *Enfant*, that they had failed for inaccurate rumors over fact in their coverage of the Clinton administration. But even as they tried to clean up their act, they were reporting the unseemly details of former White House intern Monica Lewinsky's purported affair with the President. TV cor-



Phillips: scandal

respondents stood in front of the White House and talked not about domestic or global political issues but about the origin of stains on Lewinsky's dress, now in the hands of the FBI.

"Once again," said Phillips, whose report appeared on page 22, "the coverage of the most powerful office in the world was reduced to speculation as to whether its incumbent could survive the latest sexual revelations." With Clinton scheduled to tell his version of the Lewinsky affair to a grand jury on Aug. 17, Phillips notes, "It is the norm, but there is a regrettable seriousness about it."



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John Pyle

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## Down the road

These people buying gas-guzzling behemoths that sport over more pollutants—don't they care about their children's and grandchildren's future? ("Big wheels," *Costa*, July 20. Are their eyes so pathetic that they need these things to prove that they are something special? What about the danger they pose to regular cars? It is hard to decide if I feel more anger or pity for them.) *Michael Toren, London, Ont.*

A very efficient and environmentally friendly vehicle already exists, which you can buy for less than 10th the cost of the Toyota Prius mentioned in your article. "Cruze machines." It's called a bicycle. While bicycles are used for almost everything motor vehicles are used for, their utility is underappreciated. Bicycles, ridden according to the rules that apply to all vehicles, provide the safest, most efficient way to commute. *Wally Bala, Montreal*

## Currency correction

The "50-per-cent exchange rate" reportedly being offered in American dollars to tourist shops is "an even greater discount" when our dollar is worth 57. American cents ("Down on the dollar," *World*, July 27). When one Canadian dollar equals

87 cents (U.S.), one American dollar equals \$1.4855 (Cdn.). Then if anyone of the Business Council on National Issues was quoted as saying that the latest episode of dollar weakness is worse than in the mid-1980s, when "the dollar hit 78 cents American." In fact, our dollar fell below 70 American cents in 1986 before recovering.

*Adi Sayed, Kingston, Ont.*

## Heart of the matter

Since January, no business issue has generated as much impassioned debate as the proposed merger between Bank of Montreal and Royal Bank of Canada ("Better banks, not bigger banks," *The Road Ahead*, July 27). That is as it should be. Given the

## Historic partnership

According to Barbara Amiel's column of May 26 ("Saying sorry is fine, but only to a point"), Jan. 7, 1998, was a landmark day for Canada. On that date, this country entered an entirely uncharted era—an era that would see the federal government begin a process of apology and compensation for every person involved in racial right or equity. Of course, Jan. 7 was the day Indian Affairs Minister Jane Stewart offered the government's Statement of Reconciliation to aboriginal peoples in Canada for both the ineffective past relationship and the wounds caused by implementation of the residential school system. In that statement, Stewart expressed the government's profound regret and deep sorrow, adding that the residential school experience should not have happened. The statement was accompanied by a \$350-million healing fund, to aid communities, nations and individuals who suffered at the hands of the system. For a whole lot of people across Canada, it was indeed a landmark day.

However, for Amiel and others of her mind, it was a day in which rubber-stamped government dished out heaps of taxpayers' dollars in exchange for extended political longevity. For a government to take responsibility for the misguided choices and errors of the past was tantamount to allowing anyone with a gripe to demand and be awarded both an apology and a reward for their pain. The majority of the government's action was aimed entirely in the aboriginal way of seeing, an apology is a healing action. It is a spiritually driven human dynamic that allows the giver and the receiver equality. It is both an admission of wrong and an acceptance of necessary change to strengthen and heal a relationship. An apology needed to reflect the giver's investigation of the moral reasons behind the harmful act and his readiness to employ different means in future dealings between the parties.

Once such an apology is tendered, the two sides become equally responsible to effect change. The giver is responsible for implementing change in behavior. Conversely, the receiver becomes responsible for changing the manner in which the apology is received and internalized. When the government offered its Statement of Reconciliation, it was saying to the aboriginal people—and to Canadians in general—that it had examined the thinking that led to the ineffectiveness of the past relationship and the implementation of the residential school system. The accompanying healing fund was the tangible evidence of that desire. Ms. Amiel chose to view it as compensation. It was not.

No amount of money can compensate a people for the loss of self-esteem, identity, language, cultural pride, spirituality or history. Dollars can never replace the souls lost to suicide, drug abuse, alcoholism, violence or assimilation. This is not a process of compensation—it is a process of empowerment.

*Phil Fontaine, National Chief, Assembly of First Nations, Ottawa*

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# Hearing Canadian voices

**H**eritage Minister Sheila Copps and Trade Minister Sergio Marchi have announced new measures to maintain longstanding federal policy aimed at protecting Canadian content in magazines. A report on that announcement, and the opposition to the action by the U.S. government, appears on page 38 of this edition.

In this space, I want to discuss why I think the measures are important to the health of the Canadian magazine industry.

Briefly, the government has announced its intention to prohibit foreign publishers from selling advertising services to split-run editions of their magazines that are already available in Canada. From *Compassion* and *Spark* Abolished to *Wacky* *Flare* and *Flare*.

The new measures will not prevent U.S. and other foreign publications from entering Canada. In fact, half of all magazine circulation in Canada is controlled by foreign publications (and almost 90 per cent of newspaper sales). Hearing different voices is not the issue. Hearing a Canadian voice is.

While Canadian publications like this one, and our cousins, including *Chic* and *Flare*, attract large and loyal readers, Canadian publishers also compete for advertising revenue. Even the most up-to-date and competent Canadian publishers run into an uneven playing field when their U.S. rivals can sell advertising to Canadian buyers at lower rates

because they do not have to bear the cost of creating Canadian content. All they have to do is stop their presses and replace advertising aimed at U.S. readers with ones geared to Canadians, and the split-run is on its way to a new country. In that kind of competition, an American publisher can afford to undercut a Canadian publisher every time.

What the government proposes to do is to levy stiff fines against foreign publishers who sell advertising in Canada. The Canadian editions of *Time* and *Reader's Digest* will be exempt, which is only right given their long-established presence in this country. Bond rates for foreign magazines will also be lowered to bring them into line with certain Canadian levies.

For 30 years, the federal government has recognized that Canadian stories will only be told by publications that do not have to compete for advertising dollars with the slick stacked against them. The action on split-run ads is a counterbalance to trade practices, while leaving Canadians free to read whatever they want. In rejecting previous Canadian measures against split runs, the World Trade Organization made clear that Canada has a right to pursue its own cultural policies. The latest federal announcement is a legitimate route to that goal.

*David S. Lee*



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\*Quick tip: Try using a carrot peeler to make chocolate curls.



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## Another View



# Charles Gordon

## It's summertime—and the arts are in season

**A**mong this year's summer trends is the full-service jazz festival. You can get a foot massage while you listen to Nicholas Pappas. There is a concertist on hand, a wide range of ethnic food offerings and, of course, Starbucks. The portable toilets are bedecked with advertising, inside, including room recommendations as to where you can find real estate alternatives, begin your home renovations or have postprandial parties on the side of the car.

Our summers have come a long way. Once, we spent them in motels.

Not just if you have we come a long way. We have summer theatre and chamber music, summer blues and summer folk, big summer exhibitions at the museums and galleries, not to mention summer reading. What with one thing and another, thousands, probably millions of us are involved in the summer consumption of culture. The big question is, where are we in the fall, winter and spring, when empty seats plague the theatres and clubs, empty stores plague the bookshelves?

To devise ways of extending the summer culture into other seasons, we first have to consider the summer phenomenon. What makes it work?

Well, to begin with, we are Canadians and summers are precious. We want to get out into the warm air and do things before the snow comes again. So whatever gets out of the house, be it just Shakespeare in the park, a rehearsal in a renowned music theatre or chamber music, will do the trick.

Then, there is the issue of the cooler season. Jazz clubs—or the thought of jazz clubs—can rehabilitate the non-regular listener, who feels he is missing into a smelly, alien environment, in which he won't know what to do. Non-regular playwrights feel the same way about theatre, except for the smelly part. Put that theatre on the grounds of a university, notorious for making the public feel excluded, and the degree of discomfort increases. People want to go where they feel at home.

Now, put that same play or concert, no matter how unimpressive, in a park and the same vanishes. People like to go to the park. They are comfortable in the park. They are likely to meet their friends in the park. In the summer, balloons fly overhead.

Along with the comfort zone provided by the location is a comfort zone provided by the performers of those summer dramas who have discovered that there is a summer way to practise their art. They recognize that they are not aiming at experienced audiences, so they do some summer things. Jazz musicians—at least the big-name American ones—have party pieces, little tricks, high notes, flashy drum solos, that are guaranteed to amuse the crowd and elicit its applause. Regional theatres have understating plays

for an audience that might have, just half an hour ago, changed out of its bathing suit. Even Strindberg, to hear some of the recent criticism of it, may think occasionally of trying to get some laughs from the tour bus.

In literature, there is the tradition of the summer book, featured in those summer-reading supplements you see in the spring. Summer reading, the book you take to the beach, is by definition lighter and less serious. It is a publisher's or a reviewer's, and the ethic of summer reading says that you are not to feel guilty for indulging in it. So you read and are not intimidated by what you read. And when you return to work in the fall, you see the new books coming out, serious ones by all accounts, and you say: "I haven't got time to read."

What all of this says is that you can lead a Canadian to culture, but you have a better chance of doing so when the weather is warm. The Canadian is in the mood then and the culture meets him halfway.

**You can lead a Canadian to culture, but you have a better chance of doing so when the weather is warm**

The lesson is there are no absolutes as you would think. Certainly we should not be watering down the arts in the colder weather, playing nothing but high sales, publishing only lawyer novels and putting on *Man of La Mancha* year-round. Canadian artists should not compromise to attract winter audiences. But they should at least recognize from the summer that potential audiences are there and be encouraged by that fact.

Keep in mind that most of the people in the crowd are not off the bus. Most of them are Canadians, and a lot of them are from towns, wherever towns. Keep in mind also that while many use the summer to read lawyer novels, many others use the summer to spend some time with serious Canadian books they promised themselves they would read.

If some of the people in those summer crowds have lived what they saw enough to look for more of it, the same goes for corporations. If the corporate banner can wave over the festival in the park, there is no reason that it cannot hang in more libraries during the winter.

That should offer a degree of hope that when the government grants dry up it is not necessarily the end of the world. If creativity, community enthusiasm and corporate largesse can win the day in July, there is at least the hope that they can be sustained, if on a smaller scale, in November. You don't need a million readers to make a book a success, only 10,000. You don't need 10,000 people to fill a jazz club, only 100. Why they won't there is an often as we would like in a difficult question, but at least we know that they could be.

The summer tells us that.

The summer arts did audiences by welcoming them, putting them in comfortable surroundings, making sure they feel at home. With any luck and a decent set of priorities, the arts in Canada could be a walk in the park.



# Opening NOTES

Edited by JAMES DEACON

## A cult, its clones and the alien connection

Now that researchers in Scotland and Hawaii have cloned sheep and mice from adult animal cells, human clones may not be far behind. A Quebec-based cult that maintains extraterrestrial brought the first life to earth, now claims it will be able to achieve this feat in the next two years. Cloned, a Brisbane-incorporated company that was founded by Claude Voronov (also Rael), leader of the Raelian religion, claims its researchers could begin cloning humans by the year 2000—if the firm can raise \$2 million for research. Brigitte Boswell, a self-described biochemist who is scientific director for Cloned, says the company plans to generate the necessary funds by charging fees to clone pets, including dogs, cats and horses—all species that have never been cloned before—starting this fall. Boswell, who is based in Lyons, France, concedes that the firm has no laboratories of its own so far, and says it is contracting research work to scientists in countries where human cloning would be legal. Scores of adherents and homosexual couples, she claims, have approached Cloned about having children



Voronov at a Raelian attraction near Montreal: aiming to clone personality

by cloning. The Raelians, who purport to have a worldwide membership of about 40,000, ultimately hope to be able to transfer a cell donor's memory and personality to the clone. "The Raelian religion is a religion of science," adds Boswell. "Human cloning is a way to eternal life."

## CAPITAL CONFIDENTIAL

He looks it, and indeed, he clearly enjoys his work, and his friends are comfortably seated in the public opinion polls. But could he be Prime Minister? Joe Clark, at 64, is thinking retirement after 31 years in federal politics? True, he has missed that he may try for a third term, a disappointing thought for leadership aspirants like Finance Minister Paul Martin and Health Minister Allan Rock. But who has federal Govt. wondering about their leader's plans is the news that he is transferring the beloved, run-down summer cottage on Lac des Piles, Que., 150 km northeast of Montreal, where he and his family live, water ski and occasionally enjoy electricity returns, into a permanent year-round home. "It is not going to be Roncho Lac des Piles," declares an aide in fact, once the renovations are complete, a comfortable, though less-than-luxury, two-bedroom bungalow will stand on Chénier's land. The Prime Minister is no absentee owner; whenever he makes a visit to his home town of Sherbrooke, he drives over to the lake to see how construction is progressing. The sooner the better as far as he is concerned. All the carpenters and contractors have made the residence undesirable this summer. And the cottage has always been an expensive pain-away for Chénier, a place where he can escape the pressures of running the country by taking around the lake on his Sea-Doo. Is he getting ready to give up the luxury of 24 Seasons—and his official summer residence on Harrington Island—for the rustic delights of the cottage? The leadership hopefuls can only say that Chénier's Lac des Piles home becomes a home

## EMPORIUM

According to Statistics Canada, the average number of persons behind bars in Canada on any given day is 33,935, of whom 14,155 are in federal penitentiaries and 19,780 are in provincial or territorial prisons. The average daily cost of keeping a convict in jail is \$134.8. The number of offenders living in the community under supervision is 9,500.

## GOLDFARB POLL

Although residents of British Columbia sleep in the United States more frequently than other Canadians, they are also more likely to say they will be shopping there less in the future. The percentage of adult Canadians who say they will shop south of the border in the next 12 months:

	National average	B.C.	Primes	Ontario	Quebec	Atlantic Canada
More often	3	5	3	4	2	2
Less often	9	20	10	10	3	5
Neither more nor less often	12	18	8	19	3	7
Never	73	56	78	66	90	81

OPINION POLLS BY GILBERT ROSE

Goldfarb's Economics Inc.

## DOUBLE TAKE

### Brian Dickson

The past 18 months have not been filled with experiences that Brian Dickson would care to revisit. First, his life became sweeter, which—given the fact that he lost most of the right eye on a Moroccan battlefield during the Second World War—was a major handicap. "Doctors gave me pills which weren't worth a damn," says the former chief justice of the Supreme Court of Canada. "Further medical investigation revealed cancer of the oesophagus. 'They said, 'Well, you have a chance of living for three months or having your oesophagus removed.' So it wasn't a very difficult decision." Today, 14 months after surgery, 85-year-old Dickson's health has improved, and he hopes to resume riding the Morpion horse that he and his wife, Barbara, stable on their 41 km west of Ottawa. "For now, I don't swim," he says. The Toronto, Saskatchewan-born, sometime Winnipeg or porpoise lawyer left the Supreme Court in 1986 after 18 years, but has had little time to explore retirement. He headed a



Dickson in 1981: exploring computers and missing the beach

general on defence policy that recommended the creation of a special intelligence unit, which has since looked into allegations of sexual and other misconduct against the military. And old soldier Dickson admits to being distraught over the scandals that have dogged the armed forces, beginning with the death of a teenager in 1984 at the hands of Canadian troops in Somalia. "During the work I did for the department," he says, "I was very impressed with the officers and other ranks."

"At the moment, technology is an absorbing interest. 'I'm learning about the computer,' he says. "I spend half my mornings learning how to work it." And what does he make about the beach? "Everything," says Dickson. "I'd love to be there again."

RAE CORLETT

## BEST-SELLERS

### FICTION

1. *A Waste in the Sea*  
John Irving (2)
2. *More This Much Is True*  
Philip Roth (13)
3. *Front of the House*  
Patricia Cornwell (2)
4. *Unleashed*  
Neil Kinnan (1)
5. *The Obsession*  
Graham Greene (1)
6. *Penelope*  
Anne Spry (4)
7. *James Brown*  
John Brown (1)
8. *Intimate Strife*  
Robert Stone (1)
9. *State of Mind*  
Gordon Fraser (1)
10. *The Great Escape*  
John Grisham (1)

### NONFICTION

1. *The Willing Hand*  
Thomas Mann (1)
2. *Agassi's Man*  
Frank Abagnale (1)
3. *A Walk in the Woods*  
Bill Bryson (1)
4. *Ways and Means*  
John Gray (1)
5. *The Way of Zen*  
Thomas Merton (1)
6. *Who Killed Canadian History?*  
John Gosselin (1)
7. *Understanding World's Events*  
Carl Sagan (1)
8. *The Way We Live in Now*  
John Gosselin (1)
9. *Ways and Means*  
John Gray (1)
10. *A Walk in the Woods*  
Bill Bryson (1)

## Dudley Do-Right

For instructions are still quite plentiful in Canada from the Royal Canadian Mounted Police. In the *Montreal Star* (Nov. 10) in Dudley Do-Right.

Lined, Michael Dawson, a PhD student and history teacher at Queen's University in Kingston, Ont., chronicles the history of the force and the Mounties' changing role as a symbol of the country.

## The Mountie



# Passages

**APPOINTED:** To the position of director at the Art Gallery of Ontario, Matthew Teitelbaum, 42, in Toronto. Chief curator since 1980 and a specialist in contemporary art, Teitelbaum has been active in mounting major international shows at the AGO, and has championed such Canadian painters as Paterson Ewen, Betty Goodwin and Greg Harris. He replaced Maxwell L. Anderson, who resigned to become director of the Whitney Museum of American Art in New York City.

**DIED:** Photographer and director Jerome Robbins, 73, of a stroke, in New York City. The winner of two Academy Awards, four Tonys, an Emmy and many other honors, Robbins was best known for such Broadway musicals as *West Side Story*, *The King and I* and *Fiddler on the Roof*. But his enduring love was ballet, and he was associated with the New York City Ballet for 50 years, helping to establish its reputation for innovative choreography.

**DIED:** Buffalo Bob Smith, 80, best known as the creator of the boy puppet *Howdy Doody* and the TV show of the same name, at cancer, in Fort Rock, N.C. The daily NBC program, which ran from 1947 to 1960, drew millions of young baby boom viewers, and also featured *Carroll O'Connor* and the puppets *Pinnoke T. Blaster* and *Flub-a-Dub*.

**DIED:** Retired dominion archivist Wilfred Smith, 79, in a car accident, in Ottawa. An Officer of the Order of Canada, Smith held the archival post from 1970 to 1984.

**DIED:** British tycoon Roland (Tiny) Fawcett, 80, of skin cancer, in London. Described as "the prince of capitalism," by British Prime Minister Edward Heath in 1973, he was also lauded by Nelson Mandela as a friend of Africa, where he launched his Lomax Group empire.

**DIED:** Serbian Serb Milan Kwasnovic, 53, on trial for genocide at the UN war crimes tribunal, of a massive heart attack, in his Amsterdam cell. The chief prosecutor at the tribunal is Canadian judge Louise Arbour.

# Social disunion

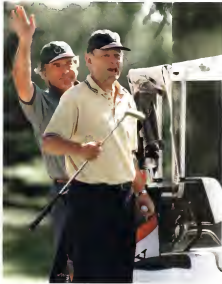
## The premiers want Ottawa to toe the line on new funding

BY MARY JANIGAN

In the beginning, at their first summits annual coffee even in the early Deer motor club of Quebec City in 1980, the premiers were friendly, polite, deeply divided—and initially anxious not to offend the federal government. Summoned by Quebec's Jean Lesage, many provincial leaders were hesitant even to discuss Ottawa's ever-growing spending in areas of provincial jurisdiction such as hospitals. After two days, facing their own pressing needs for federal cash and the dampened of prime minister John Diefenbaker (who refused to attend), the premiers resolved Lesage's call for the creation of a permanent interprovincial council to deal with Ottawa's ventures into their social policy turf. Instead, they only agreed to meet again, in Charlottetown, in August, 1980. "But Lesage could see ahead; even if the meeting accomplished very little, it had started something," says Kenner Giesler, cabinet minister Eric Kierens. "Sure, there was a big hospitality dispute, but Lesage knew exactly what he wanted. He was going to combine all of the premiers."

Lesage, who died in 1980, did not make his dream. That the premiers are finally keeping that one-cupful frost as they gather for the 30th annual premiers' conference in Saskatoon this week. To the cooperation of the federal government, they were focusing the two-day meeting on their insistence that Ottawa must curb its unilateral spending in social programs. They will publicly affirm what they privately discussed in a positive paper, formulated after three years of discussions and delivered to the federal government two months ago. Ottawa and the provinces must negotiate a common set of rules—that is, a social union—so that they justify desire how new federal money should be spent on social programs. And both levels of government should determine and enforce standards for these programs among their members.

With the solar premier backing of Quebec Premier Lucien Bouchard, the other nine premiers have once again decided that, by late autumn, before Ottawa finishes its 1990 budget, they want to quash a part. Ottawa will increase its cash transfers for social programs to the provinces—and the provinces, in turn, will commit every penny of that money to health care. At the end of each fiscal year, they will publish detail accounts of how they have used that money—and what effect it has had on their citizens' well-being. "Without an deliberative input in the management of our initiatives with us in health care, we set the stage for continued controversy and confusion," Saskatchewan Premier Roy Romanow, of course of this year's meeting, told Maclean's. "We stand on the brink of a wonderful opportunity to resolve this



Romanow (left) with Clinton, demanding just desserts as how money should be spent

country work better: the premiers are calling for co-operative federations in order for us not to squabble—but to do the best we can with limited dollars."

The premiers' stand could set the stage for an increasingly tense clash over the next six months involving two different visions of how the country should work. Although its provincial recentral lists began last January, Ottawa entered the capital town reluctantly—and only recently tabled a formal position paper. It rejected many pivotal provincial demands—including

due right to jointly enforce the Canada Health Act, which penalizes provinces that permit extra-billing. Although Prime Minister Jean Chrétien and Romanow agreed last week at a hastily scheduled meeting in Saskatoon that federal and provincial cabinet ministers would continue to negotiate the social union throughout the fall, the federal government has already done some deep lines in the sand. A senior federal official told Maclean's that Ottawa does agree with the request for an accord that sets out federal-provincial standards, including mandatory rules to ensure that citizens who move are guaranteed equal access to social programs in every province, as constabulary for how governments use every penny of social funds, and, predictably, each party gives the others as much notice as possible when it tinkers with policies that could affect or follow governments. Ottawa has even suggested that no province should impose higher tuition fees on students from other provinces.

But, as Chrétien's secretary told Maclean's, Ottawa will put no further curb on its spending power. In 1996, the federal government pledged that there would be no new shared-cost programs in areas of exclusive provincial jurisdiction without the consent of the majority of the provinces. The premiers have now asked that Ottawa obtain the consent of the majority of the provinces before it introduces any new social program—and to fully compensate provinces that opt out to create similar programs. "That's just not an," said a federal insider, adding that Ottawa would only be willing to notify provinces before it introduced new social initiatives.

The red flag post, however, may be the program's call for increased cash transfers—up to \$5 billion over three years—for health care. Although the premiers have offered to account for every penny, they are unwilling to be the hands to any particular use. As Romanow noted, some provinces need better home-care programs—and some need more magnetic resonance imaging machines. "You could not have a one-size-fits-all program," he insisted. Ottawa views such state needs as a negotiating position; that is, it still hopes to find some way to transfer federal funds for a globally home-care initiative to which all provinces must commit new funds.

The premiers may also face some federal resistance to the other two major items on their agenda. They will call for lowering the Employment Insurance premium rate from 52.75 per \$200 of employee income to 52.25—and as a cost to the federal treasury of \$3.6 billion. The premiers will also request a new federal-provincial infrastructure program, arguing that a trading nation needs better highways to connect provinces with each other and U.S. markets. (The current program, which received \$6.4 billion in federal funds over five years, expires next March.)

The 10 provinces and Ottawa may keep talking—and keep their tensions—because of Quebec's historic role as an obstacle for an interprovincial alliance. After three years of repeatedly denouncing the push for a social union because it would recognize Ottawa's role in social programs, the Parti Québécois government has apparently changed its mind. Last month, after intense prodding from Jean Chrétien's opposition Liberals, Interprovincial Affairs Minister Jacques Desautel declared that the province's position paper was in accord with the federal position. And although Quebec officials remained more observant at federal-provincial talks in Regina two weeks

ago, the province's next support increases the pressure on Ottawa to prove that the federalism can work. "We have learned that constitutional reform is not the answer," Ontario Interprovincial Affairs Minister Dianne Cunningham told Maclean's. "People want results, governments must work together through agreements."

The province's current reliance dates from the mid-1980s when Ottawa transferred more than \$6 billion from its cash transfers. Sponsored for health, the primary argument that they have convinced the right to return to their needs and priorities are considered in Ottawa, having landed in budget, pour money back into the system. After two days' meeting, provincial officials gathered statistics on Ottawa's cash contribution to health, postsecondary education and welfare. In Ontario, which has been the hardest hit, Cunningham calculates that the federal cash contribution has dropped to 7.6 per cent of health-care costs—and only 5.2 per cent of postsecondary education—down from about one-third in the 1970s. Nationwide, Ottawa now pays about 14 per cent of the tab for social programs. As one so-



Cunningham: People want results, governments must work together

cial provincial official told Maclean's: "These numbers show the abandonment of rhetoric by reality—and it's not coming from the provinces."

The federal government insists that BIE has changed. Ottawa has always been embroiled in a tug-of-war with the provinces. "It's always easy to have a common front on a grocery list of demands," said one federal official. He added that after the first interprovincial conference in 1987—long before such meetings became an annual tradition—the provinces also sent a list of demands to prime minister Sir John A. Macdonald. "The difference," he said, "is that there was no television in 1987—so Macdonald put the list in a desk drawer and never responded."

In the end, despite Ottawa's reluctance, his clear that the balance of power is in a big shift within the federation. As University of Toronto political scientist Daniel Cameron notes, the annual premiers' conferences have become a "significant intergovernmental institution," generating new ideas on national unity and social reform. "Ottawa has been surprised by the strength of the consensus from," notes Cameron. "But in Ottawa, I can see no signs of an interest or capacity to think about the larger questions that shape the country. The energy and the ideas have come from the provinces." And in the end, those ideas and energy could strengthen the Canadian union. □



**LETHBRIDGE, ALTA.**

# CANADA Raising a big stink

The sun is shining hot, but much of the Prairie south of Lethbridge is a lush green landscape crisscrossed by the Oldman River crisscrossing this part of southern Alberta, providing water for huge sprayers that roll across the fields like mammoth metal caterpillars. Farmers grow barley here, as well as corn, alfalfa and sugar beets. But this is livestock country, too. Some 500,000 cattle, as well as 180,000 hogs, plus many chickens, turkeys, bad fish and sheep, call Lethbridge County home at any one time. A majority of them are located in a 30- by 10-km swath of land known as Feedlot Alley, near the city of Lethbridge—the densest concentration of livestock anywhere in Canada. And, increasingly, environmentalists and some local residents are raising a stink about animal waste, water control, about soil and water quality—and about their own health. “Enough is enough,” protested a recent letter in the *Lethbridge Herald*. “What needs more heat?”

Consumers do, actually, in eastern Pacific Rim countries. And with Alberta’s proximity to Pacific ports and its abundant supply of feed grains, provincial agricultural officials suggest that feedlot cattle produce meat that grows by more than 50 per cent as the meat fies away. Hog production could more than triple. Whether the industry can afford that market potential depends, at least in part, on how it tackles environmental concerns in places like Feedlot Alley. Livestock operators insist that the vast majority

of their livestock, the measure their animals produce responsibly. But some Lethbridge County residents have been launching almost a dozen appeals each year against new or expanding livestock facilities. Occasional adversaries from the regional health authority try to sell drinking water have tainted the fumes of discontent. So have changes laid against two livestock operations this spring for allegedly allowing manure to flow into water ways.

Edward Malenberg says he is no environmentalist. “And I’m not knocking the farming industry,” insists the 50-year-old retired machanic. But Malenberg, a resident of Picture Butte in the heart of Feedlot Alley, says that a strong stench has wafted over his town of 1,700 five or six times a year—lingering for days. One early morning last summer was the worst. “Everybody had their windows open because it was 30°C, hotter than a broiler,” he recalls. The smell “made you sit right up in bed.” Malenberg subsequently organized a petition, and got more than 1,200 signatures calling on the province and Lethbridge County to do something about manure management.

Malenberg says that the air in Picture Butte has improved dramatically since then, in part because one large dairy began dumping of liquid manure by injecting it into the soil, rather than spreading it on top of his fields. But problems remain. The regional health authority, along with producer asso-

**Feeder livestock manure runoff can be prevented**

ciations, environmentalists and provincial and municipal agencies, are looking into possible adverse health effects of intensive livestock operations. The Canadian Health Registry, which includes Feedlot Alley, reports one of the highest rates of gastro-intestinal illnesses in Alberta, more than 140 times the provincial average. And several studies have shown surface water contaminated with bacteria and parasites. No one has proven a connection between microbial faeces and intensive livestock operations, according to Dr. Paul Hesselbach, the region’s medical officer of health—and some operators insist there is none. But, says Hesselbach, “There may be a connection between all of this livestock management and the contamination of surface water.”

John Vander Heyden looks 37,000 head of cattle at Riverside Feeders, three km south of Picture Butte, and at two other feedlots he co-owns. He argues that operators can prevent manure runoff from their land by building adequate fences, for example, or working manure into soil right after it is spread. “There’ve been incidents of certain livestock producers, not necessarily feedlots, that have contaminated some waterways due to ignorance and lack of responsibility,” he allows. “But we as a feedlot industry are very opposed to how they operate.” And in his office, Vander Heyden, 28, has placed a *Lethbridge Herald* article to the wall. Published on March 10, it reported that research by a provincial environmental protection official showed runoff from the city of Lethbridge’s waste water treatment plant had far more fecal coliform bacteria and phosphorus than water tested at 15 other sites in the Oldman River basin. What would at any city plant, say Lethbridge officials, who insist they are almost always well within licensed limits.

Environmentalists and health officials concede that urban waste is an issue. But they point out that Lethbridge is spreading its waste treatment plant—and say the livestock sector may now have to do its part. “One operation may not be the problem,” Hesselbach says. “And large operations, most of them tend to be excellent.” It is the cumulative impact of all the manure in the area. And that is what has Feedlot Alley named in the track of controversy.

## Feedlots fuel a heated local debate

MARY NEMETH/Lethbridge

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# Magic in the summertime

BY JENNIFER HUNTER

The heat is on! The thick, sticky air rises to the last row in Vancouver's Nat Bailey Stadium and hangs over the seats where Harold Hanson and his sister, Ann Broad, are playing cards—now 17, directly above home plate. The 7:05 p.m. baseball game between the Vancouver Canadians and the Tacoma Rainiers of the Pacific Coast League won't start for another 20 minutes, so Hanson and Broad have brought along their cellphone board and a deck of 52. The 38° C heat is unexpected, unusual in normally temperate Vancouver, but they refuse to move down to where the air cools. "Too many kids," mutters the 70-year-old Hanson. His sister Broad, 78, just shrugs. She only comes a couple of times a year, but he is a regular, making the 10-minute drive from his east-side home to the rooftop stadium at least 30 times a season. The Canadians are the collar dwellers in the league, with a record of 38 wins and 66 losses, but even though it is a losing game in Vancouver, baseball is Hanson's passion.

Last month, however, the management of the Vancouver Canadians announced the team was up for sale. The price: \$12 million. That means the possibility that the team—started in 1973 by late sports mogul Harry Osofsky—could leave Vancouver. There is no competing bid for Triple-A franchises and plummeting new stadiums are being built to accommodate them, like the new \$22-million facility in downtown Edmonton or the \$50-million one in Oklahoma City. Nat Bailey, built in 1963, is quaint but small, a fact that, coupled with the shrinking dollar, could compel new owners to move the Canadians, the farm team for the Anaheim Angels. For Hanson, summers would never be the same. "It's a miserable old ballpark," says the retired plumber with a very smile. "These baseball games are basically all I go to now."

A few weeks ago, Tim McNamee says he too is worried about the possibility of the team leaving. "That would really hurt," says the 58-year-old retired bakery worker. "You could get rid of any other franchise in the city, the Canucks, the Grizzlies, and I wouldn't

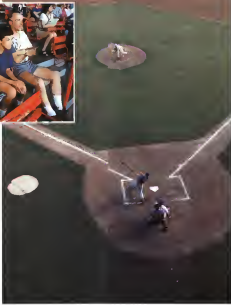


Lapante (left) and Mison with their sons; Nat Bailey Stadium (right) is low atop with a view that may have to relocate

care. But this would really hurt." It would hurt more than just McNamee and Hanson. Each year, over 200,000 Vancouverites flock to Canadian games, drawn by the magic of Nat Bailey Stadium and the chance to watch potential major leaguers on the way out.

In spite of the stadium's drawbacks, there is something glorious about watching baseball at Nat Bailey, named after the man who founded the White Spot restaurant chain, and once called the "best little ballpark in North America." There is the misnamed, red-green field, the maroon-and-white home plate and the evocative sounds—the crisp echo of the bat cracking the ball and the ball thudding into the catcher's mitt. There is the scenic view of Queen Elizabeth Park with its rolling, tree-filled hills, the excitement of the dozens of families who spend summer evenings watching ball, the kids sharing their purple hat and red-sneaker or mooning hot dogs.

And there are the characters in the rooftop press box, who concurrently act as reporters, scribes, public-address announcers, and unofficial baristas of



Vancouver baseball. Post Karl, 58, has been on duty at the stadium since 1979 to report on the Canadians and also act as a scorekeeper. He and his friend, broadcaster Jim McNamee, can rattle off innumerable statistics, anecdotes, scores. "Half the fans here couldn't even tell you what the starting lineups are," says Karl. "But it's a beautiful stadium, a place where you can relax and have a beer. It's sad to think next year could be the last season."

General manager Gary Arthur will argue any deal about the possible sale. But the team's owner, Japan Sports Systems Inc., which picked up the Canadians for \$8 million in 1995, is being lobbied by a weekend fan, and last year sold an A-league team it owned in Visalia, Calif., just north of Fresno. "As beautiful as this park is," says Arthur of Nat Bailey, "it's the season park in Triple A. Seating capacity is roughly 5,000, more 34,000 in new Triple A stadiums. The Vancouver Canadians always seem to turn a profit of at least \$200,000 a year, but, Arthur says, we "need more toys," more luxury, better eating facilities, more luxury.

It is unlikely to happen at Nat Bailey, which is owned by the City of Vancouver's cash-strapped parks and recreation department. "This's the rub," says Arthur, who grew up in Vancouver and watched the previous minor league team, the Vancouver Minors, play here. He too will be disappointed if the team leaves, because like other Vancouverites he feels the stadium is the heart of Triple-A ball. "We're not ashamed to admit we're the league leaders," Arthur says. "Minor league baseball may be the last bastion of innocence in sport. There's no commercialism, less pressure on the players."

That is the reality that the 268 baseball games that Vancouver has loved so well offer: seasoned players like former Blue Jays pitcher Erik Hanson, 32, bounced from the majors because they are performing poorly or recovering from an injury, rubbing shoulders with hot prospects like power-hitting 28-year-old infielder Tony Glav, who has been called up to the Angels. Being on a Triple-A team means carrying your own bags up to your room at the Quality Inn, facing up the gormon and Sheraton hotels experienced by major leaguers. It means having a per diem of \$27 a day, compared with \$300 in the major leagues, and an average salary of \$45,000 as opposed to about \$1.5 million for major leaguers. "In the majors a player gets one clubhouse if he looks ragged," says Canadian pitching coach Greg Mison, who used to play for the San Francisco Giants and hopes one day to make it back to the big leagues as a coach. "Here, if you need a clubhouse, you have to go down to the drugstore and buy them ourselves."

Only one baseball ball of minor league ever passed through Vancouver on his way to the big leagues: Brooks Robinson, who played a scorching third base for the Baltimore Orioles in the 1960s. Mison's close call was a consolation for former Giants pitcher Tim Lincecum, who had a shoulder operation three years ago and is trying to make it back to the Angels by doing some rehab here with the Canadians. "It's not hot," he adds. "The road trips are terrible, the money is terrible. Nothing about the minor leagues makes you want to stay."

The spectators don't see it that way. Parents bring their sons and daughters, recreating their own childhood experiences. With tickets ranging from \$1.50 to \$8.50, a ball game can be cheaper than a movie. Keith Mason, 59-year-old, and Freddy, 8, sit in the cooler part of the stands. "When I was in Grade 4 or Grade 5, I used to take the bus here with my friends and watch the Vancouver Minors play," Mason says. "I can still remember how good the french fries were." Now, he comes three or four times a week, with his wife and boys. "It's something you can do without taking out a bank loan."

Up at the press box, Pat Kall continues to muse about the possibility of the Canadians leaving for a bigger stadium elsewhere. "The feeling wasn't here," he says. "Who would want to keep a team here in a park that's not advanced in any way we're the league leaders." Arthur says, "Minor league baseball may be the last bastion of innocence in sport. There's no commercialism, less pressure on the players."

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# Sex, truth and consequences

Clinton will tell his version to the grand jury



ANDREW  
PHILLIPS  
IN WASHINGTON

**W**ashington, Scene One: The American President, symbol of his nation in times of both joy and grief, leads a solemn service under the soaring Capitol Rotunda for two guards shot to death by a deranged gunman. He fully captures the poignancy of the moment—the loss of the families, the shock of sudden violence at the centre of democracy. Even his opponents readily acknowledge that at such times, Bill Clinton gets it just right.

**Washington, Scene Two:** At almost the same moment, 20 blocks to the west, lawyers representing Monica Lewinsky step into the busy heart of late July to face a phalanx of reporters and cameramen. Lewinsky, they assume, will tell her story to a grand jury in return for complete immunity from prosecution for herself and her mother, Maria Lewin. Almost immediately, people claiming knowledge of Lewinsky's version of events spread the word: despite her previous denials, she will swear under oath that while she was a young intern at the White House, she and Clinton did have a sexual relationship.

Americans have long known that there are two Bill Clintons—the eloquent leader with perfect political pitch, and the flawed man who all too often loses his battles with temptation. When they first elected him President in 1992, they bought the package. But there are moments when the tension between the two Clintons seems all too glaring—and last week was one of them. After several months during which the Lewinsky saga had turned into a sideshow for political junkies, it was back at centre stage. Her civil suit independent counsel Kenneth Starr, followed a day later by Clinton's agreement to give his version of events to prosecutors, broke the logjam. The only two people who surely know the full story are finally set to testify before Starr's grand jury—Lewinsky as



PHOTOGRAPH BY JEFFREY M. HARRIS

## What Clinton said:

President Bill Clinton testified under oath in January when lawyers pursuing Paula Jones's sexual harassment case were allowed to question him. Seeking to establish a pattern of behavior, they asked the President about his relationship with Monica Lewinsky. Excerpts:

**Q** Did you have an extramarital sexual affair with Monica Lewinsky?

**Clinton:** No.

**Q** If she told someone that she had a sexual affair with you beginning in November of 1995, would that be a lie?

**Clinton:** It is certainly not the truth. It would not be the truth.

**Q** I think I used the term "sexual affair." And so the record is completely clear, have you ever had sexual relations with Monica Lewinsky, as that term is defined in American English? I, as mandated by the need to document defining sexual relations as contact by someone with another person's groin, buttocks, breast or inner thigh?

**Clinton:** I have never had sexual relations with Monica Lewinsky. I've never had an affair with her.



Clinton, with White House Chief of Staff Erskine Bowles, Lewinsky (opposite): the potential for charges of perjury or obstructing justice

## The only two people who surely know the full story are set to testify

early as this week. Clinton by videotape on Aug. 17; Jonathan Turley, a professor at law at George Washington University in Washington, just it secretly. This could not be a more precious time for the President."

Just how precious depends on several things: exactly when Lewinsky tells Starr how Clinton responds, and how American voters react to whatever new revelations emerge from the final round of testimony—especially if it becomes clear that the president has been lying all along. In what has become standard operating procedure for the so-called investigation, the story that Lewinsky promised to tell in return for non-prosecution from prosecution was immediately leaked to key news outlets. Still, sources claiming knowledge of her story said, to testify that she and Clinton had sex and that they discussed ways of covering up the 18-month affair, which allegedly began when she was just 21. She will apparently not tell Starr's jury that Clinton directly asked her to lie. Instead, she is prepared to say that they talked about hypothetical ways that she might keep their liaison secret—perhaps by claiming that her three dozen visits to the White House after she left her job there were to visit the President's secretary, Betty Corbin, rather than Clinton himself. Presumably that would leave the basis for charges of perjury or even obstruction of justice against the President. In a sworn statement he gave in January as part of Paula Jones's failed sexual harassment lawsuit against him, Clinton said "I have never had sexual relations with Monica Lewinsky. I've never had an affair with her." But it could get even worse—and more embarrassing—for him. As she drew to her lawyers' office last Monday to put the final touches on the deal with Starr, Lewinsky was carrying a bag by her lap. It, sources hear, is the bag with her account said last week was a sexy blue corded dress stained with what commentators delicately refer to as "physical evidence" of sexual contact between the interns and the President.

In glibster language, it was the so-called sex-stained dress—one of the sexiest details to emerge in the original flurry of reporting when the scandal broke open in late January. When investigators were unable to find it in Lewinsky's apartment, the White House claimed it was the invention of media caught up in sexual frenzy. But the story that emerged last week was that there is such a dress, and that the investigators didn't find it because Lewinsky had sent it to her mother. Last week she surrendered it to Starr's investigators as part of her deal with him. By the end of the week, FBI investigators were contacting DNA labs on it. If it contains genetic material, Starr could ask Clinton for a blood, saliva or hair sample and try to match them. At the same time, Lewinsky also turned over tapes of friendly

phone messages to her from the President, in which he says such things as "Hey, it's me. Sorry I missed you." Hardly incriminating—but evidence of an oddly close relationship between a young intern and the man she used to refer to as the big fella.

In return, Lewinsky received "biographical assistance" for herself and her mother—a blanket guarantee that neither will be prosecuted as a result of anything they tell the grand jury, so long as they tell the truth. For Clinton, the only glimpse of good news was Lewinsky's reported statement that no one connected with the White House wrote the so-called talking points document that she gave to her sometime friend Linda Tripp, laying out ways to cover up her relationship with the President. Otherwise, Lewinsky's immunity deal and the evidence she apparently turned over to Starr's office presented Clinton with a whole new set of problems. The presence of physical evidence to corroborate Lewinsky's story would make it more than a battle of credibility between an unconvicted President and a young woman who identified her tape to Tripp that "I have led my entire life." And the deal turns Lewinsky into the willing tool of a prosecutor who has devoted a good chunk of the decade to driving into alleged wrongdoing by Clinton, his wife Hillary, and his army of former friends and associates.

Over and over last week, as Democrats refused what Starr has spent "four years and \$40 million" investigating scandals starting with the Whitehouse scandal and ending with the alleged sex and lies told with Lewinsky. So far, he has pressed nothing on the President or Hillary Clinton, and their supporters say that gives Starr's inquiry less become an obsessive vendetta. "I don't think the public is interested in a \$40-million investigation about consensual sex between adults," said Massachusetts Democratic Congressman Martin Meehan in a typical comment.

So far, that appears to be about right. One poll taken last week showed Clinton's public support staying high—despite the new flurry of interest in the Lewinsky case. The survey by CNN and USA Today put the President's job approval rating at 69 per cent, up four points from early July. (By contrast, Starr's approval ratings have sunk below 20 per cent.) At the same time, two-thirds of those questioned last week thought that Clinton did have sex with Lewinsky, and 58 per cent thought he lied about the affair under oath. The dilemma for Clinton's supporters is this: right from the start, Americans riding the crest of a surging economy have consistently told pollsters they don't much care about the President's private conduct, despite heated and repeated predictions from conservative critics that the scandal might destroy his presidency.

So the political impact of last week's dramatic developments may still be muted. During a recent discussion on Capitol Hill among six prominent political consultants—three Democrats and three Republicans—none mentioned Starr's investigation while adjusting tactics for November's mid-term Congressional elections. Voters, they agreed, simply did not want to hear about it, and the prospect of testimony by the key players did not change that. "The fact of the matter," said Mark Malachuk, a leading Democratic consultant in Washington, "is that most people in this country, rightly or wrongly, believe that Bill Clinton had sex with Monica Lewinsky, and they still think he's doing a good job as President and want him to continue." When Republicans bring

## THE FOX 40 WHISTLE HAS NEVER FAILED.

Steve Foxcroft always had a problem with whistles.

"A whistle with a cork pea can fail simply by blowing it too hard, causing the pea to jam."

A professional referee, Foxcroft and many of his colleagues were often unable to stop the play even though they saw a clear violation take place. This not only hindered proper enforcement of the rules, but caused referees like Foxcroft substantial embarrassment.

Eventually he, along with his father Ron and brother Dave, decided to improve the situation. They made a list of features for a better whistle,

→ That's a lot more than we can say for the entrepreneur who created it.

invested \$100,000 from their own private funds, and started developing prototypes. The first was louder and more reliable (like a flute in a marching band) but too large and awkward. The second was smaller and more portable, but didn't sound right. They got the penetrating shrill back on the third prototype, but lost the appearance. The fourth looked right, but didn't sound right. Even though Steve refereed 7 days a week, creating the perfect-sounding whistle became a full-time hobby.

Undaunted, they tried 35 prototypes before at last perfecting the perfect whistle.

"Twenty one of those prototypes could've been seen as failures. But we saw them as learning experiences. We knew that if we kept trying, never making the same mistake twice, sooner or later, something would go right."

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Starr: After four years, time to "wrap this sucker up"



Steve Foxcroft, President of Foxcroft Whistles

## Republicans have stumbled badly in dealing with the scandal

up for issue. McLean was in an interview, "what people here is that they're more concerned about scoring partisan political points than about solving real problems—and that's a bad message to send."

As a result, Republicans have stumbled badly in dealing with the scandal. In the early days they said about subpoenaing the principle that when your strategy is burying a despised opponent out of the way and let him finish the job. Then, when the public failed to react in horror to the revelations, House Speaker Newt Gingrich began to look out at the President for the alleged bad judgments—only to sharply fall silent again when that tactic failed last week, senior Republicans were cautious, sending a clear message that they were not prepared to take action against a President—such as in the dramatic step of impeachment—if all Starr can prove is an affair. "It's got to be more than sexual permissiveness in the White House," said Orrin Hatch of Utah, chairman of the Senate's judiciary committee.

But even if the scandal has not turned voters against Clinton, it has hurt Democrats in more subtle ways. For one, party activists fear it may discourage Democrats from turning out at the polls in November. For another, it has distracted Clinton. "It takes him off his game," says Doc Severian, a Democratic consultant in Philadelphia who is helping to run campaigns all over the country. "It's our strongest competitors, and instead of being out there every day talking about health care and the issues we want to talk about, he's doing something else. Instead of his staff being out there pushing the issues, they're putting out fires. It takes our strongest players off the field."

In large part, that was a violation of Clinton's own code. Six days after the scandal broke on Jan. 24, he firmly denied having "sexual relations" with that woman, Ms. Lewinsky, or asking anyone to do so—"not a single time, never." And as a phrase that came back to haunt him, he said he would give his version of events—"more rather than less, sooner rather than later." Then, on his lawyers' strong advice, he clammed up for six months despite a barrage of questions from the media and repeated requests by Starr for information. The White House fought heroically to keep white lies from installing before the grand jury, drinking legal poisons for White House staff lawyers, secret Service agents and others. Starr battled back in the courts, winning key rulings that compelled Clinton's personal Secret Service guards and White House lawyers to give evidence. Even the man regarded as the President's closest associate in the White House, his chief of staff, Brent Bruce Lindsey, was ordered last week by a court to appear before the grand jury.

At the same time, pressure mounted on the President to finally tell his story to Starr. In July, the prosecutor served him with a subpoena

requiring him to testify. Clinton could have fought that at the courts, but Democrats began supporting publicly that the true had come for him to give his version of events. The day after Lewinsky's lawyers announced her deal, Clinton's personal attorney, David Kendall, said the President would "voluntarily" submit to questioning from prosecutors. In fact, there was little voluntary about it, since most legal experts believe the President would have lost a court fight against Starr's subpoena. But he did win concessions that will preserve some dignity for him. Instead of going to the grand jury room at a federal courthouse in central Washington, Clinton will be questioned at the White House by prosecutors, and he is allowed to have his lawyers in the room with him (although normally must testify alone). His testimony will be videotaped on Aug. 17—forcing him to delay by two days his planned vacation on Martha's Vineyard, an island off Massachusetts.

By the end of August, then, Starr will have all the evidence he can expect to get on the Lewinsky affair. Then he must make sense of his four years of investigation by reporting his findings to the House of Representatives, and possibly laying charges as well. Pressure is mounting on him from both parties to do that quickly—to "wrap this sucker up," as Democratic Senator Patrick Leahy of Vermont put it. Close observers of the case found more chafe last week of what he might do. Linda Tripp, Lewinsky's erstwhile friend who set off the scandal by secretly taping their long telephone conversations about Clinton and then taking the evidence to Starr, spoke out for the first time. After months of being publicly scorned as a traitor to a friend and ridiculed for her physical appearance, Tripp ended eight days of testimony before the grand jury with an emotional defense of herself as an average American who had taken "the path of truth."

Tripp also told something that strongly suggested her lengthy testimony raised more widely than the Lewinsky case. She worked as a secretary in the Clinton White House in 1993 and 1994, and said that as a result, "I became aware... of actions by high government officials that may have been against the law." She did not elaborate. But at the same time, conservative commentators with access to the thinking in Starr's office, such as William Safire of *The New York Times* and the editorial page of the *Wall Street Journal*, have begun to suggest that Starr's final report may cite the Lewinsky affair as just one example of a bigger pattern of abuse of power by Clinton and his associates. "What if the seemingly obsessive pursuit of false deceit in the Lewinsky... matter turns out to illuminate a much broader landscape of witness tampering and suppression of evidence?" Safire wrote last week. "Then we would be talking about a serious abuse of executive power."

If that thinking is correct, then Clinton could face a weighty report tying other scandals such as Whitewater to how he has handled his relationship with Lewinsky. Starr suggested Penn Arnold, a presidential historian at Notre Dame University, "seems to be trying to build a big theory of the case, a web of preference that goes all the way back to the earliest Clinton scandals." That report may not be far off. With the remaining pieces of the puzzle falling into place, Starr could well take his conclusions to Capitol Hill by October—just in time for them to become an issue in November's elections. □



Tripp, exposing an affair was 'the path of truth'

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# TELECOM Solutions for Business

**T**elecommunications underpins every aspect of business, from customer care to sales, marketing and distribution. Yet telecommunications decisions in Canada continue to be driven by price, not by what applications can do to resolve business problems or to provide a competitive edge, according to telecommunications consultant Emon Hocy of Hocy Associates Inc. "We've been really slow," he says, "in seeing the advantages of the marriage of telecommunications and information technology at the application level."

There's no better venue to discover how telecommunications and information technology can enhance your business than at TeleCon '98, Canada's largest telecommunications conference and trade show, to be held at the Metro Toronto Convention Centre Sept. 1-3.

TeleCon '98 allows technology users, suppliers and manufacturers to come together and discuss the latest information on technological advances in communications and share solutions to current business issues.

"TeleCon '98 offers valuable insights for businesses of any size," says Arlene Siegel, director, regulatory and legal affairs for the Canadian Business Telecommunications Alliance, which is sponsoring the event. Siegel suggests that there is a fundamental

transformation occurring in business. Trends toward globalization, enhanced competition and evolving regulatory infrastructures are helping to ensure the success of companies that use new information technology tools creatively. Businesses, which previously regarded telecommunications as a pure expense item, are starting to use their experience and creative solutions to develop new revenue generating opportunities.

Companies can also break into established markets and gain a competitive edge by taking advantage of the Internet. "Existing and established companies cannot ignore these trends," says Susannah Knox, president of Perfectcomm Multimedia Inc. If they do, they stand to be surprised by new creative competition, says Knox. ▶

## TELECOM

Telecom Trends:  
Wider, Better,  
Cheaper

**A**t Fuji Graphics Systems Canada Inc., "bootsling" has replaced personal offices for about 80 sales and technical support staff who spend most of their time on the road. The new regime works well, but the inevitable voice mail tag was beginning to affect customer service.

Regus Canada solved Fuji's problem with Wireless Office Service, which integrates the Candel AT&T PCS wireless network with a new in-building wireless infrastructure. Now, customers can call Fuji's main Toronto telephone number, press a salesperson's four-digit extension number and speak to that person whether he or she is at a desk, at a photocopier downstairs, lunching five miles away or travelling in Vancouver.

The system works anywhere within Candel AT&T's network in Canada or the AT&T Wireless Network in the US. "Wireless becomes the invisible enabler," says Robert MacKenzie, vice-president of PCS and product development for Regus Canada. "Your calls are passed on through the wireless network."

As business becomes increasingly complex and workers become increasingly mobile, telecom managers are looking for solutions that address integration and portability, says Dennis Yurchuk, director of business development for MTS Advanced in Winnipeg. "Integration is one of the key issues facing business today," he says, "and it's really about trying to simplify complex needs."

For example, new computer tele-

phony integration applications allow call centres to work with the Internet, and there are several solutions that merge wireless and wireline phones for truly possible connectivity everywhere. Local dial tone access and long distance access can now be bought from alternative carriers, providing the opportunity for competitive one-stop shopping. And long-term telephony is processing new ways to carry multimedia cheaply and efficiently.

Sounds complicated? The hope is that, with migration and deregulation, everything will actually become simpler. "Consumers want things to be as easy as possible for them," says Phil Bates, president and CEO of Sprint Canada. "They should look for a carrier who is easy to do business with — that can mean the qual-

ity of the account team, the way information is presented at the end of the month to allow analysis of traffic patterns, and it can include operating a one-stop shop with a consolidated bill for multiple services."

Local exchange competition is driving new competition among incumbent telcos and alternative carriers. The result is twofold: reduced prices for "local access" or "last mile" services such as dial tone, operator access and features such as call alert and caller ID, and bundling, the ability to get all telecom services from one supplier so you can control your cost structure appropriately. In general, businesses can expect a 10% to 15% discount over existing local access charges, which are already dropping to head off competition. Bell Canada, for example, has



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# TELECOM

## IP Telephony Explained

already reduced the cost of business lines and private branch exchange (PBX) tariffs by 12%.

Demand for high-speed bandwidth is also driving telcos to build out national data networks, either alone or in alliances with other carriers. Bell Canada, for instance, recently created a national company that will establish its own national broadband network to provide high speed data and Internet services. Also, AT&T Canada recently announced a coast-to-coast synchronous optical network called SONET Ring, a fibre technology that yields high capacity, high reliability and almost instantaneous restoration.



Michel's Patrick, holding an end-to-end fibre network across Canada.

MicroNet Communications Corp. of Calgary hastened the creation of its national fibre optic network with the recent acquisition of Rogen Telecom Inc. "MicroNet is building local networks in the cities in which we operate and then using interconnection relationships with long distance providers," explains David Phaela, a MicroNet vice-president. "We're able to provide our customers with an end-to-end fibre network across Canada."

End-to-end solutions, one-stop shopping and applications integration promise to make telecommunications easier to manage and to use as a strategic tool.

Internet telephony, IP telephony, Voice Over IP, Voice Over Net. These are all ways of referring to the new ability to convert voice into digital "packets" for transmission over a packet-switched data network (called an Internet Protocol (IP) network) instead of over the traditional circuit-switched network used for voice. Put more simply, it means we can send voice over the Internet (Voice Over Net) or over a private IP data network (Voice Over IP) instead of using our regular telephone voice networks.

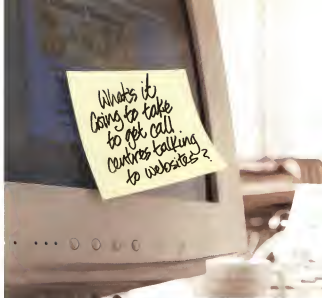
Why are we hearing so much fun about Internet Telephony? "Flexibility," says Louise Labada, director of marketing for Vienna Systems Corp. of Kanata, Ont., which specializes in IP telephony. "The flexibility of combining different types of media over a single network infrastructure is very compelling."

IP telephony isn't yet a perfect technology, however. Cheap international voice calls over the Internet are

a much touted application, but annoying echoes and lost voice packets make it a less-than-desirable business communications option. Within the next year, however, these problems may disappear.

While cheap international long distance is appealing, that isn't what's driving Internet telephony, says Dennis Yanchuk, director of business development for MTS Advanced in Winnipeg. "Anything that incorporates more than just the voice component is going to drive it," he says, citing examples such as consumer video conferencing, distance education, fax and audio clip e-mail. The multimedia opportunities and substantial cost-savings will encourage many businesses to incorporate IP Telephony into their local or wide area network (LAN/WAN), he says, making it cheap and easy to video-conference with staff in branch offices, for example.

Companies like Micron, Nortel, eFusion, VocalTec, and Vienna Systems now manufacture gateways and software which can integrate a packet-switched network with a circuit-switched network, opening the way for voice to migrate from our regular



## TeleCon98 Conference and Trade Exposition SOLUTIONS FOR BUSINESS

Canada's premier telecommunications event, TeleCon '98, kicks off with Canada's Outstanding CEO of the Year for 1997, Jean Morin, president and chief operating officer of BCE Inc. as well as chairman and CEO of Bell Canada.

As a special look at the issues affecting Canada's telecommunications industry is part of an opening Executive Development Day designed for telecom professionals and executive decision makers to be held Sept. 1.

The second day of TeleCon features Small Business Day, with presentations and demonstrations geared to small and mid-sized businesses, entrepreneurs and work at home executives.

The TeleCon conference is the (CNA) annual opportunity to showcase its members' accomplishments and innovations. TeleCon also features a trade exposition with over 150 exhibitors.

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## TELECOM

HOT HOT HOT  
New Telecom  
SolutionsConvergence of wireless  
and wireline servicesWE'VE GOT  
YOUR NUMBER

"One Number for Life" isn't a reality yet, but some telecommunications firms are introducing the next best thing in a win-win of ideas: Rogers Cable's new Wire-less Office Service integrates Cotel ASIA's PCS wireless phone service with a new in-building PCS wireless service. The system provides four-digit dialing access to a local extension from anywhere within Cotel ASIA's network in Canada or the AT&T Wireless Network in the US. It eliminates juggling between multiple pager and office telephone systems, says Robert MacKenzie, Rogers Cable's vice-president of PCS and product development.

## SIMPLY ONE

Even small business and home office professionals can have easy, one-telephone-number service at work, home or on the road with Bell Canada's new Simply One service. Simply One provides customers with one telephone number for their wireline and wireless phones, along with one voice mailbox and a single bill. "This is the beginning of a new innovation across wireline and wireless networks," says Jesse Gould, group vice-president of consumer markets and sales with Bell Canada.

phone line over the Internet or a private IP network to, for example, a call centre agent.

Internet telephony is also the key to cable companies entering the local phone service market. Ken Englehart, vice-president of regulatory law at Rogers Communications Inc., says IP telephony is the most attractive option for providing cable customers with local telephone service. Rogers

he says, can transform voice into packets, send them over its high-speed Internet service, called WAVE, but "feed them off" before they actually hit the public Internet and instead run them through a Rogers telephone switch and out into the voice network. This tactic, he says, would provide the reliability that customers demand from voice service.

"The benefit [of IP telephony] is we can get into the local phone business and serve our 2.25 million [residential] customers without putting in another line or investing in more technology," says Englehart. Still, he admits, this use of IP telephony

would be ready for a year or two.

Telecom experts are divided on the promise of Internet telephony and how it will be used. Bill Canot, president and CEO of AT&T Canada Long Distance, says Internet telephony will compete with long distance services. "You can look on it as a threat or as an opportunity," he says. "We think it's an opportunity." AT&T Canada plans to offer IP telephony

*Why the fuss about Internet Telephony? The flexibility of combining different types of media over a single network's infrastructure is very compelling.*

Laurence Labadie, marketing director  
Verano Systems Corp.

services within the next year or two.

Charles Strain, chairman and CEO of Teliglobe, says the current lack of a regulatory environment for data transmission is what now makes

packet-switched voice cheaper. In the long run, he says, there will not be tremendous cost advantages for international long distance. "For the carrier, the choice of packet switched technology or circuit switched technology will depend on where in the world they have to deliver traffic and what is most efficient," he says. "And at the end of the day, I don't expect that consumers will see a big difference in these costs."



"No matter what business you're in, no matter what size of company, large or small, how you handle telecommunications can mean the difference between winning or losing."

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Telecon98

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PETER GOSSLIN  
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Sept. 2, 9:30 am - 5:30 pm

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## The Canadian Business Telecommunications Alliance

Organizer of TeleCon '98, the CBTA is a national, non-profit organization representing business telecommunications customers from the private and public sectors. Its 400 member organizations spend more than \$4 billion annually on telecommunications.

Established in 1962, the CBTA's mandate is to advocate regional, national or international policies and practices in its members' interests. The CBTA also works to educate, develop and inform its membership; to promote and encourage choice in suppliers, products, services, quality and price; to inform and influence telecom policymakers and regulatory bodies; and to encourage innovation in telecommunications.

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- IT managers.
- Telecom customers.
- Sales and marketing personnel.
- Lawyers and consultants.

## SCHEDULE AT A GLANCE

### EXECUTIVE DEVELOPMENT DAY - TUESDAY, SEPTEMBER 2

- 8:00 am Registration
- 8:30 am Welcome and Opening Remarks
- 8:40 am **KEYNOTE SPEAKER: Jean G. Monty, BCE Inc.**
- 9:30 am Trade Exposition opens (until 5:30 pm)
- 10:00 am Current Skills Shortage: Implications for the Information Age Economy\*
- 12 noon Lunch with featured speaker: Terry Jarman, Bell Canada
- 2:00 pm Enterprise Networking Strategies: A Window on the Future of Canadian Networking\* presented by the GartnerGroup
- 3:00 pm "Advanced Network Technologies" presented by the GartnerGroup
- 6:00 pm TeleCon Opening Reception

### SMALL BUSINESS DAY - WEDNESDAY, SEPTEMBER 2

Special sessions directed at small business will be held in parallel with the main conference sessions after the opening keynote address.

- 8:00 am Registration
- 8:30 am Welcome and Opening Remarks
- 8:40 am **KEYNOTE SPEAKER: The Honourable John Manley, Minister of Industry (invited)**
- 9:30 am Trade Exposition opens (until 5:30 pm)
- 10:00 am "Home and Small Business: From Set-Up to Expansion"
- 11:00 am "New 'Need to Know' Technologies for Growth"
- 12 noon Lunch
- 1:15 pm "The Internet and E-Commerce"
- 2:15 pm "Resources for Small Business"
- 3:30 pm **KEYNOTE SPEAKER: Larry Winget, Humourist**

### WEDNESDAY, SEPTEMBER 2

- 7:00 am Registration
- 8:30 am Welcome and Opening Remarks
- 8:40 am **KEYNOTE SPEAKER: The Honourable John Manley, Minister of Industry (invited)**
- 9:30 am Trade Exposition opens (until 5:30 pm)
- 10:00 am Plenary Session: "E-Commerce and Business in the New Millennium"

BUSINESS SOLUTIONS	CONVERGENCE & COMPETITION	TECHNOLOGY
Globalization and Opportunities for Business Customers	Trends and Driving Forces in the Regulation of Telecommunications	Network Architecture

- 12 noon LUNCH WITH KEYNOTE SPEAKER: Charles Sirois, Teleglobe Inc.

BUSINESS SOLUTIONS	CONVERGENCE & COMPETITION	TECHNOLOGY
Telecommunicating 2: Teleconferencing: The Mobile Office	Convergence: A Brave New World	Broadband as an Enabler for Business

- 3:15 pm **KEYNOTE SPEAKER: Larry Winget, Humourist**
- 4:00 pm CBITA Annual General Meeting
- 5:30 pm CBITA's "Making the Connections" Reception

### THURSDAY, SEPTEMBER 3

- 7:00 am Registration
- 8:30 am Welcome and Opening Remarks
- 8:40 am **KEYNOTE SPEAKER: David Colville, CRTC**
- 9:30 am Trade Exposition opens (until 4:30 pm)
- 10:00 am Plenary Session: "The Role of Telecommunications in Building Global Business: A Customer Perspective"

BUSINESS SOLUTIONS	CONVERGENCE & COMPETITION	TECHNOLOGY
Telecommunicating 2: Teleconferencing: The Mobile Office	Convergence: A Brave New World	Broadband as an Enabler for Business

- 12 noon Lunch and Product Presentations by leading exhibitors and manufacturers
- 2:00 pm Plenary Session: "The Shakeout in Canadian Telecommunications"

BUSINESS SOLUTIONS	CONVERGENCE & COMPETITION	TECHNOLOGY
Telecommunicating 2: Teleconferencing: The Mobile Office	Convergence: A Brave New World	Broadband as an Enabler for Business

- 7:00 pm Closing Reception



## TELECOM

HOT HOT HOT  
New Telecom  
Solutions

## BUNDLING

**Question:** What is a package not a bundle?  
**Answer:** When you're considering telecommunications offerings.

Packages are groups of affiliated telecom products or services with no price advantage. Bundles are a grouping of strategic telecom products or services that do offer a price advantage.

In the increasingly competitive telecom market, packages are paid, bundles are not. In fact, provides Rudy Salenz, director of long-distance market management for Sinter Resource Centre Inc. (an alliance of provincial telephone companies), competition will centre on bundles rather than price levels. "Bundles are the solution the business customer is looking for," says Salenz. "It's an all-inclusive proposition with one way to understand price point."

Look for bundles that wrap up long distance, the Internet, wireless and enhanced local services into one attractively priced package. "The benefit for telecom managers," says Salenz, "is more cost-effective management of telecom dollars."

New Internet  
Telephony Services

## FAX OVER IP

Some companies, including PSNet and Bell Canada, are now offering fax over IP. Users fax from their own desktop to anywhere in the world at high speed over a secure IP network to a network server nearest the fax recipient. ➤

CIBC's INTRIA Network Makes  
Stand-alone Business Sense

Telecommunications is the future of banking," says CIBC senior vice-president Harriet Velasquez. That's why, two years ago, CIBC made a strategic decision to leverage its vast telecommunications infrastructure by spinning it off into a stand-alone subsidiary, INTRIA Corp. The new company, of which Velasquez is president, not only handles the bank's electronic and paper financial processing, but also generates significant revenues by providing similar services to non-bank clients such as retailers, gas station chains and utilities.

The Ukrainer chain of gas stations, for example, uses INTRIA's network not only to process debit and credit transactions but also to send messages about gas levels and pricing straight from its gas pumps to head office.

ENLOGIX Inc., part of the West Coast Energy Inc. group of companies, is using INTRIA's network and services to provide new electronic customer transaction processing services to utilities, energy service companies and municipalities. Ken Bokunick, CEO of ENLOGIX, says that INTRIA will be able to help with other forms of electronic commerce as the energy industry further deregulates. "The role of automated meter reading is going to become increasingly impor-

tant," he says. "We can envision moving into the whole world of electronic commerce."

INTRIA's telecommunications network also drives new financial business for the bank. CIBC now provides automated banking machines (ABMs) to retail franchisees, permitting the franchisees to use their own brand names on the ABMs. At Loblaw's stores, for example, there are now President's Choice Financial ABMs where customers can obtain cash, buy stamps and get other services.

Leveraging private telecommunications networks could prove beneficial for other large corporations who



INTRIA's central control room: the company not only handles CIBC's electronic and paper financial processing, but also generates revenues by providing similar services to non-bank clients such as retailers, gas station chains and utilities.

own their own networks. Velasquez, however, emphasizes the need for a highly reliable network infrastructure and a large commitment. CIBC, she says, has made major investments in both network infrastructure and management tools. "For those willing to make the investment," she says, "there is a market."

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## TELECOM

HOT HOT HOT  
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Solutions

► The server sends it to the local fax number. "You're travelling on a network at huge costs savings and there's only incurring that last-mile charge," explains Deas, who says Canadian and American companies can save as much as 85% on faxes into highly tariffed countries in Europe and Asia.

"The benefits are cheaper rates and enhanced features," says Carmelo Zampini, general manager of IP telecom solutions for Emerge. "We can do e-mail to fax or even multipoint broadcasting, both of which would be more complex to offer on PSTN and more expensive for the customer." Studies show that 54% of large enterprises would move to fax over IP for a 20% reduction in cost.

## TWO-IN-ONE

Look for new services that integrate the Internet with your regular phone line.

In August, PSNet Inc. is introducing Phone Decoder, a new Internet software application that lets customers use their phone line and the Internet simultaneously. By downloading software from PSNet and call forwarding their telephone number to PSNet/1\*Star, customers can surf the net and still receive, attend to or redirect phone calls. They can even pick up the phone in chat in a customer service area via a Web site. PSNet's president and CEO, Rudi Deas, says the fee for the service will be \$5 per month.

Bell Canada has introduced a similar service called Internet Call Display. Internet users can remain on-line while answering phone calls or redirect calls to a toll answer system. It's available for \$5 per month. ►

Electrifying  
Competition on the  
Internet

Imagine plugging your computer into the electrical outlet for high-speed telecommunications, not just electricity. Nortel (Northern Telecom), in a joint venture with British firm NORWEB Communications, has recently introduced Digital Powerline, a new high-speed data communications service that runs over hydro utility lines at speeds 10 times faster than ISDN for both uploading and downloading data. "It means that hydro companies can get into Internet service," says Michelle Murray, a media spokesperson with Nortel in Atlanta, Georgia. Other applications include multimedia, teleconferencing, on-line banking/shopping, home automation and control, and IP telephony.

Introduced last October in Britain, where metered telephone service means that Internet customers must pay both the Internet Service

Provider and the phone company for Internet access, Digital Powerline has sparked significant worldwide interest among both users and hydro utility companies. "We currently have 490 qualified leads globally from about 1,500 companies inquiring," says Murray.

John Earl, a spokesperson for Ontario Hydro, says that while all hydro utilities are interested in the concept, the business case for the custom technology isn't as attractive in North America, where far fewer customers share a transformer, which is where Nortel's technology is applied.

Murray, however, feels that Powerline may one day be viable in North America. "We're currently working with six companies in North America, both in the US and Canada, to evaluate the power grid and have them do some trials on how to bring the technology over here."

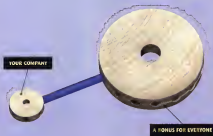
Should Digital Powerline ever become feasible in Canada, hydro utilities would become yet another competitor alongside telecom, cable and wireless companies, each vying for a share of the increasingly profitable high-speed data communications market.

Will That Be Credit, Debit  
or Cash Card?

When Joanne De Laurotis visits Guelph, Ont., she can park at a metro, buy a newspaper from a kiosk, grab a coffee from the deli and rush to a business meeting, all without worrying about whether she has cash in her pocket for these small transactions. At her hotel later in the evening, she can order out for pizza

and still not worry about the cash to pay for it.

De Laurotis, president of Mondex Canada, carries a "smart" stored-value electronic cash card which Guelph merchants use to transfer "e-cash" into their own Mondex terminal. When the card's stored cash is depleted, De Laurotis reloads it from her bank account — by phone

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## TELECOM

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CENTRE AGENTS

Call centres are using innovative IP technology to enable 'virtual' agents working from home to receive 1-800 telephone calls from customers. A gateway at the call centre or in the PSTN network intercepts the call, converts the voice to packets and sends them over the Internet to the agent.

"Virtual call centres will play a role in future call centre operations," says Steve Deming, executive vice-president of the Montreal Call Centre Team. "The applications for call centres are absolutely endless."

## VOICE ON THE WEB

A number of companies are offering new computer telephony integration (CTI) applications that run over the Internet to literally bring Web sites 'to life'. These applications permit live voice interaction between a customer service representative and a web surfer with just a click of the mouse on a Web site's 'talk' icon.

BeloSoft Technologies Inc., for example, sells an Internet customer service application called LiveContact to call centres who want to provide live voice or real-time text chat to customers such as on-line retailers, catalog houses, travel organizations or banks. "We've built a customer service solution for the Internet," says marketing director Randy Busch. "This is the kind of technology that's going to allow Internet electronic commerce to happen."

or from an automated bank machine. She can even collect the \$5.65 she loaned to a colleague, since the cards can transfer money to each other over a phone terminal or through a hand-held 'transactor'.

The Guelph experiment, launched last year, is the first step in the ambitious roll-out of Mondex electronic cash — or e-cash — in Canada. There are already 12,000 Mondex card-holders, 560 participating merchants and more than \$2 million in electronic cash issued. Later this year, Mondex will begin community-wide implementation in Stouffville, Que.

Building the telecommunications products and infrastructure, and putting the new card into consumers' hands, are the greatest challenges, says De Laurentis, who is overseeing the implementation. As the former president of Interac, she also presided over the Canadian launch of debit cards. "There was skepticism around debit," she recalls. "There isn't with Mondex. Canadians are very sophisticated users of electronic services. We're certainly happy with the reaction we've gotten in Guelph."

The logistics for implementing Mondex are staggering. Mondex Canada, an association comprised of as far as 10 major financial institutions, must get a new card into every wallet and a telecommunications terminal to every retailer. It must also get manufacturers to develop and dis-

tribute home terminals, vending machines, parking meters, taxis, even train systems — not to mention retrofitting the financial institutions' internal networks. "Financial institutions are doing their bit with the payment products," says De Laurentis. "The challenge now is for all the other sectors to build their piece of the infrastructure."

Mondex Canada is part of a global program to develop and promote the use of Mondex electronic cash. Ultimately, however, smart cards like Mondex will offer more than e-cash. A new operating system called Mul-



Building the telecommunications products and infrastructure, and putting the new Mondex and less consumers' hands, are the greatest challenges, says Mondex president Joanne De Laurentis, who is overseeing the implementation.

tis, which is designed to sit on a smart card chip, is the foundation for a multi-application card that can provide merchants and consumers with value-added products and services such as loyalty programs, secure access, and even wireless travel.

De Laurentis will participate in a panel discussion on Electronic Commerce and Business in the New Millennium at TeleCon '98, Sept. 1-3 at the Metro Toronto Convention Centre. ■

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WORLD INDIA

## The Jews of Asia

Canadians urge Israel to aid a 'lost tribe'

BY NOMIC MORRIS

Shimon Gangte looks Asian, speaks the English of the MTV generation and wears the black clothing of an orthodox Jew. He grew up in a remote Hindu area on the border between India and Burma—where he attended a Catholic school. If any sects a confusing hybrid of identities. But Gangte, witty and confident at 34, has no doubts: he is a devout member of the Bnei Menashe (Sons of Manasse), a Jewish community of 5,000 people found in the northeast Indian states of Manipur and Mizoram, as well as Burma, who believe they hail from one of the 10 lost tribes of Israel. They are a sect within the much larger community of 1.5 million Memonas, who had folklore and observations that resembled Jewish customs long before the arrival of western missionaries in 1894 prompted a large-scale conversion to Christianity. For generations Gangte's people have circumscribed their sons, dressed sacred fringed shawls similar to the Jewish prayer shawl, told legends and sang songs about a



Gangte in Toronto, studying to be his tribe's first rabbi

holy scroll and a sea dwelling, as in the biblical account of the exodus from Egypt. "I remember being in the garden with my mother when I was about three," rabbinic student Gangte told *Nation's* in an interview while teaching at a Jewish seminary north of Toronto. "We felt an earthquake tremor and

she immediately faced toward Jerusalem and recited the prayer, 'We the sons of Manasse are on this side and here, God is looking for us.'"

War appears to have found them first. Caught in Manipur's ethnic violence between the Naga tribe and the Memonas, Gangte's people have suffered many casualties, as well as the burning of several homes and at least two synagogues. "People are killed everyday. Their status as outsiders is clear," says Yeha Golubov of Toronto, chairman of the newly formed Friends of Bnei Menashe, an ad hoc group of 10 Jewish Canadian activists who have sprung to their aid. Golubov was in Manipur in March, working with Toronto-based filmmaker of Shimon Jacobson, who is preparing a documentary, *Quest for the Lost Tribes*, for broadcast on CBC television this fall. "We realized that these people are in danger," said Golubov. "It is urgent." The Canadians were also moved by the level of religious commitment they witnessed. "These people felt very Jewish tone," said Golubov. "My heart went out to them."

Since April, the Friends have raised \$6,000 in Canada which they are sending to an Israeli rabbi who has spent his career tracing and educating Jews who he believes were out of Israel their brethren 2,700 years ago. Rabbi Eliahu Arushalim is investigating whether the Menashe (named for Joseph's older son) are an offshoot of the Shinarite cave dwellers who, according to local oral traditions, arrived in Kachang, China, around 280 B.C. by way of Persia, Afghanistan and Tibet. In 1956, a spiritual leader of the by-then Protestant Memonas had a prophetic dream



# That SINKING Feeling

BUSINESS COVER



Alison, Alyson and Dave Yakashovich a holiday in Ottawa, not New York



July only 27 per cent of Canadians thought the economy was on the upswing, down from 45 per cent who were optimistic in May. Even before the dollar's decline began to erode overall economic confidence, it had taken the bounce out of the stride of the usually boisterous Canadian tourist. In the first five months of this year, as the loonie sank steadily in relation to the sagging American dollar, Canadians made about 650,000 fewer trips to the United States than in the same period in 1997. Yet travel to other foreign destinations in those months was actually up by nearly 100,000 visits—an indication that the Canadian dollar has generally fared much better against other countries' currencies.

BY JOHN GEDDES

Count New Yorkers among the growing victims of the Canadian dollar's fall: the loonie's dive has robbed them this summer of the wide-eyed smile of 11-year-old Alyson Yakashovich. Alyson's parents, who both work for Atomic Energy of Canada Ltd., were hoping to drive the family from their home in Chalk River, Ont., to Manhattan, but they changed plans when the sinking dollar killed the cost of travel south of the border. Instead, they settled for summer excursions to Toronto's somewhat less bright lights and to Ottawa to take in attractions like the changing of the guard on Parliament Hill. Not quite as pulse-quickening as Times Square and Broadway, perhaps, but Alyson accepted the change in itinerary gracefully. "I would have loved New York," she said with an air of resignation as the Yakashovichs sat on the steps below the Peace Tower on a sunny morning. "But it was fun to get to go shopping in Toronto."

Alyson is in good company when it comes to having to reconcile herself to vacationing closer to home. No less an authority on the plight of the currency than Boyd Bank of Canada chief economist John McClellan made a similar change in his own family's summer plans. McClellan and his wife were under pressure from their three sons to forgo a six-day trip to California from their home in Colesville, Ont. Faced with the added cost of converting diminished Canadian dollars into surging U.S. greenbacks, they settled for the classic Canadian summer experience of heading south of the famous mountain parks of Alberta and British Columbia. But while other Canadians forced to drop U.S. holidays might gripe about the dollar's weakness, McClellan can hardly complain—he has been among the most vocal defenders of the Bank of Canada's action as the loonie dipped to record lows. "The bank's only other option," he told Maclean's last week in a telephone interview from Banff, Alta. in British Columbia's Yoho National Park, "would be to pick up interest rates and let us take a hit in terms of jobs and the economy."

While McClellan argues that the economy remains fundamentally healthy, he worries that the dollar's tumble has left Canadians needlessly fearful that prosperity is somehow slipping away. Last week, an Argus Reid Group poll showed that in

Canada's feel trapped into staying home

promote the city's huge tourism industry. "The Canadian dollar is clearly weak against the U.S. dollar," said Neil Barakat, vice-president of communications for the bureau, when asked that Canada is the city's No. 1 source of foreign tourists. "The Canadian market is still very important to us, but it's been going down consistently."

Some American destinations are scrambling to find ways to continue to lure their usual quota of Canadian customers. Several New York state golf courses across the St. Lawrence River from Kingston, Ont., have been accepting Canadian money at or near par to get Canadian golfers back in the swing. "We'd rather have a handful of golfers at a discount rate than an empty house at full rate," says Doug Markey, who owns the Thousand Islands Golf Club on Wolf Island, N.Y. Even Mickey's is crisscrossing the Canadian divide. Roger Dandur, director of marketing and sales for Walt Disney Co. of Canada in Toronto, says the fall of the dollar is "a major concern." It's also offset the effect of the exchange rate, Dandur said. Disney is working with airlines and other companies

to design programs made for shorter stays at its three resorts in Florida, taking advantage of cheaper airlines, and direct visitors to less expensive hotels. "We're trying to be proactive in approaching this crisis," he said. "We want to ensure people that we're offering them the best value."

Becoming unable to afford a week in the Magic Kingdom as advertised under the Great White Night might seem a little drastic. But the sense of being trapped at home can diminish a feeling of freedom enjoyed, and leisure is taken for granted, by many Canadians. Scott Meik, director of research for the Canadian Tourism Commission, says Canadians, more than most Americans, view travel—especially to the United States—not as a luxury but as the norm. International comparisons bear out the view. According to the World Tourism Organization, Canadians on average estimate that their own country about one as often as the French do, three times as frequently as Americans, and the three-fold pre-crisis Japanese rate for trip abroad. One obvious reason is that since most Canadians live in a near-boundary along the U.S. border, crossing that international boundary often becomes routine. As well, long, cold, dark winters have made non-at-home stays an annual ritual for Canadians who can afford to lead north. Finally, Meik suggests, the vast distances Canadians often travel within their own country's sprawling geography can make a year's abroad seem that much less daunting.

For a growing number of Canadians, of course, travel to the United States is not a break from working life; it is an essential part of it. Phil Bernard, president of Winnipeg-based Western International Inc., is one of the free-trade entrepreneurs whose corporate strategies assume the border will be free—except when it comes to a sudden change in the exchange rate. Western sells technical services to the retail hardware industry, including wiring and light systems for Broadway extravaganzas like *Reggie and The Jax* and rock shows like Sarah McLachlan's 18th Fair tour. Making money in the States comes with risk, like any Canadian export or service company active there, since a premium when U.S.-dollar prices are depressed and covered may Canadian currency. "But that's the other side of the business," Bernard points out. "What we will sell in the United States, it could be said, is more to buyers here, to us here."

When we buy equipment in the U.S., the price just went up."

A businesslike tallying up of how exchange rates changing the bottom line is one thing; assessing how the currency's value on its own to the national psyche is quite another. Canadians have had a complex relationship with their money since 1968, when the governor of New France,



Bernard on business in Vancouver: the U.S. border is suddenly relevant

faced with a shortage of coins from the old country, cut playing cards into quarters, slipped \$15 bills to the press, and created the country's first indigenous currency. Americans might say that the colorful Canadian bills of today will look like play money, but cross-border commerce has not always been the United States' Graham Taylor, chief economist of the Bank of Canada's currency division, says that when the American dollar fell during the Civil War, depressed U.S. coins, which had previously circulated in Canada at par with Canadian silver, were rounded up in a joint effort of business and government, and shipped out of Canada to prevent them from debasing the commerce.

It has been 35 years, though, since the Canadian dollar left eighth rough parity with the U.S. dollar. McGillivray contends that the steadily widening exchange rate gap has clearly marked a long-term slide in world prices for natural resources. Since Canada's export earnings depend more than America's on raw materials or semiprocessed prod-

ucts, the Canadian dollar in more volatile when commodities like wood and minerals command lower prices. Charting the evolution of the Canadian dollar's symbolic weightiness, relative to its American cousin, is more subjective. Americans tend to view their dollar as the true flag of an economic power, and they have protectively raised past attempts to put a one-dollar coin in their pockets. Canadians embraced the introduction in 1987 of the loonie—a seven-gram disc of nickel coated with a copper-like alloy—and have affectionately polished it ever since. "It is the loonie today, it's change," says Baker.

The generally eyeing Canadian attitude towards the dollar's woes can seem odd to outsiders. *The New York Times* published an article in June reminding with some surprise of how Canadian seemed not to care much if their dollar fell. On account, however, to Cleveland, Royal Bank of Canada assistant chief economist Craig Wright says he doesn't mind trying to prevent the Canadian viewpoint on a live radio phone-in show. The first caller's question: why was the Canadian economy struggling downward? Wright says he had to publicly explain how, at least in Canada, a falling dollar is not necessarily seen as the symptom of a floundering economy. Yet the U.S. tendency to equate a stable currency with a healthy economy and a strong government is hardly unique. Many Germans, for example, view the path toward a single European currency in 1999 with their eagerness, largely because they measured the recovery of their country from war time by the rise of a powerful mark. The mark after 1945. Proke stresses in the panel was largely motivated by the British government's decision to hold off from joining the club of European countries that will join their old currencies next year in favor of the shared euro.

Canadians may be less prone to getting worked up about their currency. Still, federal politicians have lately noticed—the hard way—that even the loonie needs to be treated with a little sensitivity. Early last

## HITTING WHERE IT HURTS

If a family of four from Calgary spent some holiday time in Denver, the exchange rate means they would pay more there for equivalent food at home. Some examples (prices not included)

	CALGARY	DENVER
Four nights at a Holiday Inn (regular rate)	\$416	\$630
Mid-size car rental, four days (includes insurance and one extra driver)	\$304	\$498
Dinner for two at Plaza Park (single Supreme pizza, plus drink of soft drink)	\$24	\$27
Poster Great one-bedroom apartment at WestMart	\$6	\$12
Tickets to the Towers (2 adults, 2 children)	\$27	\$30



the consolation prize when a trip to visit three parks in Ohio became too expensive. Grant Dunn, 36, of Thornhill, N.S., drawing with his family of six, was planning to drive home from Ohio through the United States. "We scratched that because of the dollar," Dunn said. "Since we left home on July 12, I've been scratching it up." So much for this vacation. Now the family of six is waiting for the dollar will bounce back again by the time the snowbirds are ready to fly south in the coming winter. Or by next summer, James Yarnochuk, Alton's a.m. accountant on call. "Maybe we'll go out West next year," she says. "There's no line to see in Canada." New York might just have to wait.

With BRIAN ROSSIGNOL in Halifax and ANDREW PHILLIPS in Washington

## FREE ADVICE

Like the weather, everybody talks about the dollar, but nobody seems to be doing much about it. Many Canadians believe it is up to the federal government to find a way to halt the dizzying descent of the loonie. But what can—or should—Ottawa actually do? Maclean's asked five Canadians who have followed the loonie's fortunes closely. Their suggestions:

**JOHN CROSSIE**  
CONSERVATIVE FINANCE MINISTER, 1979

"Somebody should do something to help the Canadian dollar, and it's not the Canadian government that it is going to help. We've had a string of old mistakes from the government. It'd like to see the government make clear what they plan to do in the fiscal area. Are they going to reduce our huge debt or our huge interest burden? They've had the nerve to suggest there's a fiscal dividend. But they haven't made clear what they'd do with it."

"Under [former prime minister John] Diefenbaker, the dollar was 32 cents, U.S. \$1. It was alarming in 1962 that it was at 32 cents. But the Diefenbaker dollar was a hell of a lot better for Canada than the Chretien currency is."



Photo: John Crossie

**SIMON REISMAN**  
CHIEF TRADE NEGOTIATOR  
THE CANADA-U.S. FREE TRADE AGREEMENT

"Canadian interest rates are lower than in the United States. We still have high unemployment here, so it is appropriate for us to have lower rates. So the economics part is right. But I think there should have been more that he had to do and not talk so much. Speeches by Thrasivoulos and Chretien have had a negative influence on the Canadian dollar. Once you've talked, it's hard to put the genie back in the bottle."

"I would do nothing. It will find bottom somewhere and people will begin speculating the other way. We're a good country, a rich country. The Asian crisis won't drive us into recession. I don't think it would go much further if we did nothing."

**SYLVIA GOSKY**  
CHAIRWOMAN OF THE  
CENTRE FOR INTERNATIONAL  
STUDIES, UNIVERSITY  
OF TORONTO

"There is not much that can be done. We can deal with it through a tight monetary policy, or intervention which would have to be made jointly with the United States."

"I think that the decline is a secular decline in the value of the dollar and not a short-term decline. There needs to be a much more focused look at the implications, our basic competitiveness, our productivity performance, the extent to which markets associate us as only raw material producers in other words a much more coherent approach. It may be more complex than the short-term monetary policy."



Photo: Sylvia Gosky

**CATHERINE SWIFT**  
PRESIDENT, CANADIAN FEDERATION  
OF INDEPENDENT BUSINESS

"What we've left for a while is that Ottawa would be stimulating the economy through tax cuts. And that should be playing down debt. That should be their focus. A low dollar is one way to stimulate an economy, but another way is by cutting taxes. The federal government has been stingy in this area. We have to start to reverse the monetarism of the nineties."



Photo: Catherine Swift

**LEROY LARSEN**  
PRESIDENT, SASKATCHEWAN  
WHEAT POOL

"I'm concerned about the sliding dollar. I don't know what Ottawa can do to help without other adverse side-effects. I don't want higher inflation." For farmers, few heard there was that a policy that they bought from the United States last year for \$19 is costing \$32 dollars this year. So exporting machinery parts is driving the costs up already for our farmers. "It would also like to see Ottawa identify the value of Canada. We have a strong economy and this should be better reflected in our dollar. We should list it a better story and boost ourselves more."

# Lonely near the bottom

## The dollar is a currency in search of some friends



BY ROSS LAVER

**W**hen times are tough, people lean on their friends for support. So it is with currencies. The hapless Canadian dollar has been looking for friends all this summer, without much luck. Prime Minister Jean Chrétien? Forget it—he's actually sounding happy about the loonie's soaring value against the U.S. greenback. How about Bank of Canada governor Gordon Tinker? In the past, the bank could easily be counted on to defend the currency against speculative attacks by raising interest rates or accepting Canadian dollars on foreign exchange markets. Not this summer, however, which is why the loonie in real time has been having a field day beating against the buck.

So who's left? Oddly enough, it was Monica Lewinsky who briefly rode to the loonie's rescue last week. When the former White House intern struck an intimacy deal to testify about her alleged sexual relationship with President Bill Clinton, the Canadian dollar rose 0.12 cents to close the day at 66.61 cents (U.S.)—the first increase in 13 trading sessions. (In foreign exchange markets, increases were greeted that *Loonie*'s is a daily word play. Washington into a period of political instability, weakening the U.S. dollar against other currencies.

Also, the Lewinsky Effect turned out to be the currency market's equivalent of a White House quill. The next morning, the loonie

reversed its downward spiral, much to the delight of U.S. investors and the consternation of those Canadian commentators who believe the dollar's decline is a crisis, and that it is high time some help in change did something.

Are they right? As always, economists offer differing responses to the dollar's drop, but there is wide agreement on two key points. The first is that it would be folly for Ottawa to try to bolster the currency with drastically higher interest rates, since that would choke off economic growth. The second is that there are steps that can and should be taking to support the dollar over the longer term—steps such as cutting taxes and reducing the national debt that would strengthen the economy and make Canada less susceptible to exchange rate shocks.

To understand the outside behind both of those positions, consider the causes of the dollar's current predicament. By far the most important factor, experts agree, is the ongoing financial turmoil in Asia, which has triggered an exodus of capital from that region toward the United States and Europe. The search for a safe harbor inevitably leads many investors to the U.S. dollar, which helps to explain why the greenback has risen five per cent in the last year against its Canadian counterpart. Most major European currencies have also appreciated against the loonie, in part because interest rates in those countries are higher than in Canada.

In addition, Asia's weakness has sited deeply into demand for raw materials such as forest products, oil and gas, steel and other

## THE SINKING LOONIE

### Twenty-five years of decline

In May, 1974 Canada's finances had rarely looked better. The deficit stood at just \$2.2 billion, and the dollar was hovering over the greenback at 103.94 cents (U.S.)—a high watermark for the last 25 years. Commodity prices were expected to keep rising and analysts predicted the dollar would continue its ascent. But in the following decades, rising deficits and falling raw-material prices would slowly reduce the value of the loonie by 30 per cent. Some of the events that influenced the level of the Canadian dollar over the past 25 years:

- Stocks 1973**  
The Organization of Petroleum Exporting Countries trigger a series of price hikes that push the cost of oil from \$3 (U.S.) to \$30 (U.S.) a barrel by 1980. The price shock ignites inflation, which reaches an average high of 12.4 per cent in 1982. (Price index: 11 per cent)
- Aug. 9, 1974**  
U.S. president Richard Nixon resigns and is replaced by Gerald Ford.
- Nov. 15, 1976**  
Real Linerage leads Port Québec to power.
- June 4, 1978**  
Prime minister Joe Clark swears in.
- Dec. 13, 1978**  
Conservative government falls when budget is defeated in the Commons.
- Oct. 26, 1980**  
Canada's ambassador to Iran helps arrange the escape of six U.S. Embassy staff.
- March 3, 1980**  
Prime minister Pierre Trudeau swears in.
- May 22, 1980**  
Quebec votes 60 in referendum on sovereignty-union 20%
- 1981**  
Interest rates reach a record 21.75 per cent.
- Jan. 28, 1983**  
Free Trade Agreement with the United States takes effect. (Price index: 13.2 per cent)
- June, 1983**  
Maurice Lévesque constitutional victory over Orléan.
- November, 1983**  
With the prime rate at 14.11 per cent, Cdn begins cutting interest rates.
- Jan. 15, 1991**  
Gulf War begins.



Placing orders in Tokyo; Bank of Montreal traders in Toronto (above left); investors are banking on the U.S. dollar as a safe haven

- April 2, 1982**  
Argentina invades the Falkland Islands, triggering a war with Britain.
- June 30, 1984**  
Jean Turner succeeds Trudeau as prime minister.
- Sept. 17, 1984**  
Prime minister Brian Mulroney swears in.
- Feb. 1, 1987**  
John Grew replaces Bank of Canada governor Gerald Bouey.
- Oct. 26, 1992**  
Voters reject the Chrétien/Trudeau accord. (Price index: 1.54 per cent)
- Feb. 1, 1993**  
Gordon Tinker becomes governor of the Bank of Canada.
- Nov. 4, 1993**  
Prime Minister Jean Chrétien swears in. The federal deficit for the fiscal year 1993-1994 has a record \$42 billion. (Price index: 5.28 per cent)
- Oct. 30, 1995**  
The 16 side wins a show victory in the Quebec referendum.
- Nov. 8, 1998**  
Interest rates hit bottom at 4.75 per cent.
- June 2, 1997**  
Prime Minister Chrétien re-elected.

- July, 1997**  
Asian currency meltdown begins. Hong Kong's stock market after the U.S. greenback as a safe-haven security, adding to the downward pressure on the loonie.
- May 13, 1998**  
Bank of Canada says it has no immediate plans to raise interest rates.
- July 12, 1998**  
Japanese voters reject prime minister Ryutaro Hashimoto as the public, paying further doubt on Japan's ability to fix its economy. The potential loss of further commodities exports to the region only adds to the dollar's woes.

Dollar closes at 66.12¢ (U.S.) on July 31, 1998.

SOURCE: MONITOR GROUP/STANDARD & POOR'S

commodity prices. Canada's reliance on resource-based exports has declined steadily over the past quarter-century, but the category still accounts for about 40 per cent of the country's total exports. A recent Royal Bank study found that every 20-per-cent drop in commodity prices translates into a decline of between three and five per cent in the value of the Canadian dollar. On average, commodity prices have fallen about 15 per cent in U.S. dollar terms over the past year. If the Canadian dollar had not declined in response to that weakness, thousands of jobs in the mining, oil and gas, and forestry sectors would now be in the bin. "Canada, that with the exception in Britain, where the strong pound—up 16 per cent against the loonie in the past two years—is squeezing exporters and raising fears of a recession."

In the short run, then, the falling Canadian dollar softens the blow of lower commodity prices and protects jobs. In theory, it also leads to higher prices for imported goods, which contribute to inflation. But with the annual rate of increase in consumer prices now running about one per cent, few analysts are worried that inflation is about to get out of control. The fact that neither Clarence nor Finance Minister Paul Martin has expressed concern about the declining dollar is a good indication that the first domino has not yet been moved to help the country ride out the Asian storm.

On the other hand, a weak dollar can do serious damage if it is allowed to persist. As economist Sherry Cooper at Toronto-based Nesbitt Burns Inc. has pointed out, a fall in the currency has the effect of a national pay cut because it reduces the value of imported goods and services that Canadians can afford to buy. It also discourages foreigners from holding Canadian dollars and creates an incentive for people to send money out of the country. There are signs that it already has. In the first four months of this year, Canadian purchases of foreign stocks and bonds were running at a record annualized rate of \$22 billion, more than double the level in 1997.

Perhaps most important, a low dollar tells Canadians into believing that the country is more competitive internationally than it really is. "We know to live with a dollar at 66 cents, because the dollar is actually starting to go up, because that would cause massive de-inflation," warns Tom DiNapoli, president of the Ottawa-based Business Council on National Issues, which represents 150 of the country's largest corporations. "A 75-cent dollar would clearly be a huge wake-up call for a lot of companies."

That said, DiNapoli is far from panicked about the state of the currency. He cautions to keep most of his own assets in Canada, in part because he, like many analysts, believes that the loonie is now significantly undervalued. For proof, he points to studies by



Benham measuring worldwide trade in the falling dollar, \$40 billion daily

## SPECULATING ON THE LOONIE

With his closely cropped blond hair and casual manner, Chris Benham seems too young to trust with millions of dollars. But it's only 9 a.m. and already Benham, the 30-year-old executive director of foreign exchange markets for CIBC Wood Gundy in Toronto, has been at his desk for two hours. After carefully monitoring the plight of the beleaguered loonie around the world, Benham is ready for the dollar to open trading in Canada. He will strike immediately if it looks as tough as Bank of Canada governor Gordon Thiessen will warn interest rates to defend the sagging dollar. As the clock ticks, Benham glances into a bank of blinking computers on his desk and waits. If the loonie jumps, Benham will probably buy. But Thiessen does not act and a few minutes later the trader sells \$50 million. "We had to hurt the loonie a little," says Benham jokingly, "to create some sale for ourselves."

By the end of the day, Benham's team will see nearly \$1 billion flow through their hands. Their goal is to run a profit buying and selling at a rate of the \$40 billion in Canadian dollars that washes through world currency markets each day. And with the loonie falling almost daily, currency traders, who can easily make more than \$200,000 a year, have been able to generate healthy profits for Canada's big banks by betting that it will hold still or rise. In fact, at the Royal Bank, the country's largest, foreign exchange revenues have surged to almost \$240 million in the first six months of the year, a pace that would put it 28 per cent above the \$417 million recorded in 1997.

And the CIBC, the second-largest trader in Canadian dollars, saw its exchange revenues jump to over \$150 million during the same period, a pace 14 per cent ahead of 1997's \$279 million.

Critics say the banks are undermining the dollar's value by aggressively selling it. But in the majority of cases, traders claim they are simply filling orders, which average about \$5 million each, for clients who need U.S. dollars to operate their businesses, or for investors who believe the loonie is in a free fall. "These aren't speculators attacking the dollar," says Anne Thorsen, Chicago-based senior vice-president for foreign exchange at the Bank of Montreal. "These are real people."

But in the wake of the Asian currency meltdown that began in July 1997, the public has adopted a darker view of the bankers who buy and sell over 1.5 billion dollars in currencies every day. Governments in the region complain bitterly that speculators arbitrarily drove down the value of their money. In particular, they blame New York City-based financier George Soros, who in a single day in 1992 earned \$1 billion by shorting the British pound. But Jeff Rubin, chief economist of the CIBC in Toronto, says, if anything, the dollar's latest slide has been marked by a lack of speculation. Says Rubin: "It has been an orderly descent."

Even so, there is a growing debate over what can be done to control currency speculation. Some economists want to tie all currency traders, but that is generally seen as being too onerous. And although Susan Rowman, a former deputy minister of finance who negotiated the Canada-U.S. Free Trade Agreement, says the dollar should be left to find its own level, she believes the government could still do the bidding. "Whack up short-term interest rates," says Rowman. "Get those guys where it hurts, in the wallet."

TOM PENNELL

agencies such as the Organization for Economic Co-operation and Development, which regularly surveys price levels and exchange rates in various countries. In April, the OECD found that a representative basket of goods and services that cost an American \$100 (U.S.) could be purchased in Canada for the equivalent of only 907 (U.S.). By that measure, the loonie was 13 per cent undervalued, and that was before last summer's steep slide. Based on the OECD's numbers, the Canadian dollar should actually be trading somewhere around 75 cents (U.S.)—which, in fact, is the level many economists were predicting it would hit this year, before the crisis in Asia knocked the stuffing out of their forecasts.

Unfortunately, the markets have a way of defying economic theory. In the case of the dollar, the Asian-induced sell-off appears to have been exacerbated by at least two homegrown factors, both of

which government debt fell to 94 per cent in 1997 and is projected to hit 80 per cent this year, thanks to the growing economy and the elimination of the federal and most provincial deficits. But that still leaves Canada's level of indebtedness far above the average for major industrialized countries. The United States, Germany, France and Britain all boast public debt levels of between 60 and 65 per cent of GDP.

It might seem contradictory to suggest that governments should reduce their debt levels at the same time that they are under pressure to cut taxes. But Cooper and several other economists note that Ottawa has entered a period of easing budgetary measures, giving it the ability to address both problems at once. The prescription is for a 15-per-cent cut in personal income taxes over the next three years, some other analysts are pushing for a series of smaller cuts, combined with an accelerated program of debt reduction. Either approach would help strengthen the dollar by sending a favorable message to foreign investors. Martin himself said last week that such measures are on the way, although perhaps not soon enough for some. "We would expect to see in every budget reductions in debt and, in every budget reductions in taxes, but we'll do it basically on the schedule that we have set," he said.

Granted, tax cuts and debt reduction are long-term fixes for Canada's currency woes. What, if any, thing, can Ottawa do right now to arrest the loonie's slide? Some economists view the Bank of Canada's move to raise interest rates by as much as a half-percentage point as a percentage point. That would eliminate the differential between Canadian and U.S. rates with most greatly affecting consumer and business borrowers. They say that Ottawa could "talk up" the dollar by reminding currency traders of the country's fundamentals within Ottawa's control. By focusing on those issues, economists say, the federal government can lessen Canada's vulnerability to sudden swings in international exchange rates.



Logging on Vancouver Island without a weak dollar, jobs in natural resources would be on the line

which are within Ottawa's control. By focusing on those issues, economists say, the federal government can lessen Canada's vulnerability to sudden swings in international exchange rates. The first such area is taxation. Currently, taxes of all types claim an average of 48 per cent of Canadians' incomes, compared with 35 per cent in the United States. Moreover, Canada now has one of the highest marginal rates of personal income tax in the developed world. Although it varies from province to province, the top average rate is 51 per cent for taxable income over \$63,300. In contrast, the top average U.S. rate is 43 per cent, for income over \$383,670. Normally, if income taxes, differences in taxation levels have little impact on exchange rates, but in times of instability foreign investors tend to focus on the negatives. The fact that taxes in Canada are well above the average for industrialized countries discourages investment, which in turn weakens the value of the Canadian dollar.

Another obvious negative for the loonie is Canada's high level of public debt. After peaking at 98 per cent of the country's gross domestic product in 1995, the combined total of federal and provin-

mental debt (called The World Economic Forum, for example, recently ranked Canada 88th in terms of competitiveness, behind (in descending order) Singapore, Hong Kong, the United States and Britain, but well ahead of Japan and Germany. And while productivity in Canada is only about three-quarters as high as in the United States, the gap is narrowing. In 1993, the production of goods and services for each hour worked rose 2.9 per cent in Canada, compared with a 1.9-per-cent improvement south of the border.

Assuming those measures worked, there would still be one other major domestic obstacle confronting the dollar: the uncertain future of Confederation. Right now Canada's national unity questions hardly show up on the radar screens of currency traders in London and Tokyo, but that could change in the run-up to the next Quebec election, expected next spring. And if a majority of Quebecers ever do cast their votes for separation, the impact of the dollar could make this summer's currency slide seem like a picnic.

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Cops at a Toronto newsstand: plans to stand up for Canadian culture

In Ottawa this week to consult with Canadian officials on the issue. If a settlement cannot be reached, Washington will consider retaliation, said Jay Ziegler, a spokesman for Harper's office. The real problem, he added, is whether Canada is respecting global trade laws by opening its market, not whether its culture is at stake. "We're simply asking for the opportunity to sell a particular product in the marketplace."

Government officials and Canadian publishers say that all content is already abundantly available on local newsstands. Foreign magazines account for nearly 90 per cent of newsstand sales, according to the Toronto-based Canadian Magazine Publishers Association, of which Maclean's is a member. "In fact, Canada is more open to foreign magazines than any other country in the world," says

Mardi. The measures follow the WTO's ruling to a tee, he adds. Along with the ad ban, Canada will remove its existing customs tariff on split-run magazines, eliminate its 80-per-cent cap on split runs, pay postal subsidies directly to publishers rather than to the postal carrier, and restrict publications from the issue constructional profit rate in Canadian magazines. "We make no apologies for being insistent on standing up for culture," Mardi stated. "At the same time, we will leave our obligations. We can't let the laws of the game."

Despite the brand wars, trade lawyers cast doubt on whether the government's new rules will stand up under the glare of WTO scrutiny. Ultimately, they say, the government may be forced to respect Canadian magazines with direct subsidies, which are less likely to contravene international trade laws. Most publishers have routinely paid up but of late, "Canadian magazines should not be asked to pay huge subsidies to offset unfair competition," says François Gagné Beaudin, a CHMPA director. But publishers of some small special-interest magazines say subsidies might help them more than the current protections. Robert Duane, founder of Reader's Writ, a Toronto-based quarterly fiction journal, is director of board and discipline, says subsidies could help him attract more American readers, who already account for half his subscribers. "Split runs are going to be a fact of life," he predicts. "What we need to do is figure out a way to exploit them to our advantage." But until the U.S. appetite for Canadiana matches the interest in things American, retail of the border, Canadian magazine publishers say they will fight to keep Canadian ad dollars to themselves.

Washington is now gearing for battle. U.S. Trade Representative Charles Romoletto said Canada is simply replacing its old discriminatory rules with a new way to keep U.S. companies from doing business in Canada. She pledged to dispatch trade experts

JOHN SCHROEDER

## BUSINESS

# A banker's cause

The Royal Bank chief seeks support for mergers

Last January, the Royal Bank of Canada and the Bank of Montreal stunned most Canadians—striking Finance Minister Paul Martin—by announcing their intention to merge. Three months later, the Canadian Imperial Bank of Commerce and the Toronto-Dominion Bank announced similar plans. After mergers go ahead, the two new banks could control 70 per cent of Canada's banking assets. That prospect has alarmed many, including the bank's chief, who says the mergers "will compromise" the bank's proposed merger still receive regulatory and political approval—and Martin has made it clear the deals must benefit all Canadians, not just bankers, if they are to see approval. Last week, Royal Bank chairman John Cloughart met with Martin's efforts to discuss the controversy. Cloughart

**Maclean's:** Critics have argued that you have not provided any single reason why your merger with Bank of Montreal would be a good idea. Can you?

**Cloughart:** Basically, we want to keep our customers, that's what we're in business for. The way we're going to do that is to make sure that we have comparable quality and costs that are equal to the best in the world. The biggest change taking place on our balance sheet is the reduction of the deposits and the growth of retail funds. That's a critical shift taking place. We want to make sure that as our customers move from deposits to mutual funds, we're going to keep them.

When it comes to things like credit cards, we don't want [Windsong, Del.-based] MINA to gradually use its North American scale to beat us out with our client group. MINA is very proud to have acquired the alumni card of the University of Manitoba. They've got the CFL, they've got the NHL, and they're working with virtually every alumni association of every university in the country. They're very tough competitors. We've got five million customers, they've got 20 million customers.

**Maclean's:** Peter Gosses doesn't agree that the mergers are a good idea. What's your reaction to his position?

**Cloughart:** Well, that's different than what he said to the task force in writing. I can show you that document, he says. In principle, we favor consolidating the 10-per-cent rule and encouraging mergers between large institutions to help create strong, interna-

tionally competitive Canadian companies. **Maclean's:** He says these mergers wouldn't be allowed in any other country, because of the level of concentration.

**Cloughart:** He's right, because what happened in the United States years ago, what happened in Canada, it didn't happen in a country like Canada. It didn't happen in a country like Canada, it didn't happen in a country like Canada, it didn't happen in a country like Canada.

**Maclean's:** What does your own merger mean about reaction to the merger?

**Cloughart:** It's been pretty steady. **Maclean's:** Simply put, Cloughart, No, certainly not. [Polling company] COMPUSTAT did not recently which is interesting. 30 per cent were against and 30 per cent were in favor. But I think the majority said as long as there's competition, there's no harm.

**Maclean's:** Why doesn't you show a better side of being Canadian?

**Cloughart:** It's not that easy as some to understand, you wouldn't have needed a two-year task force to look into financial services. For people who don't see the benefits as those who are in the business, it's a different story. People look at financial services based on their own personal experience.

**Maclean's:** Now you're saying that the public in general doesn't understand the nature of this competition?

**Cloughart:** Yes, I think what I'm saying is that it needs to be explained with the design and his recommendations to help people to understand the various issues, and a competition bureau looking at it in terms of competition of competition.

**Maclean's:** What happens if the competition bureau says no to the merger?

**Cloughart:** It is a hypothetical question, wouldn't pre-judge the competition bureau. I guess at the end of the day, it's up to the government to decide whether financial services is a strategic industry and whether we want to be there with medium-sized countries, as well as large countries around the world.

Secondly, we're saying the experience in the States that three to five years out, you're

actually enjoying more than you did at the time of the merger. So we think we will see. **Maclean's:** What will happen in the next few months?

**Cloughart:** No small town or rural community will have someone as a result of this merger. There are 10 communities in Canada where there are two of us, but in many of those there are as well. So we're saying we will keep employment in those 10 branches that were for at least five years. Now in some cases we may have to bring the two together because they're too small to affect a one-stop shop. On the other hand, we have some communities where they're across the street, so it might be a business in an area to be a personal centre. There are examples like St. John's, Nfld., where they literally are side-by-side.

Basically we're not looking at something like putting an arrow between the two, and there's several institutions like that.

We have 1,500 branches in total, 420 of them in urban areas. We're not about to drop a bomb on them.

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## BUSINESS

# Subscribing to rules

Harper's Ottawa is working hard to keep Canadiana thriving. And so far, says the magazine's co-creative young editor, it is thriving along beautifully. The 22-year-old, Mississauga, Ont.-based publication is one of Canada's 10 fastest-growing magazines. Circulation has more than tripled in the past five years to 80,000, thanks in part to savvy grassroots marketing. At regular and selling festivals across Ontario this summer, enthusiasts can opt to receive a 40-cent packet with the magazine's logo emblazoned on its spine. But following big U.S. books such as *Seinfeld* and *Mad About You* to launch so-called split-run editions by selling Canadian ads while keeping their U.S. content would quickly rack the boat, says Otway. The U.S. book publishers already crowd out Canadian content on the newsstand. "We don't have a big market of advertisers to begin with," she says. "There, it's a danger."

It's hard all right, Otway has found out firsthand in the 10-year battle against the U.S. juggernaut. Last week in Toronto, International Trade Minister Sergio Marchi and Heritage Minister Sheila Copps unveiled a series of steps designed to promote and protect Canadian periodicals. These include

Organizations struck down last summer. Otway has been using to shelter Canadian magazines from split runs. Because their editorial costs are covered in their home market, Canadian industry officials charge, split-run editions can boost profit margins as much as 50 per cent, compared with an average of five per cent for Canadian magazines. Copps said the measures will guarantee the continued vibrancy of the industry. "Unless Canadian stand up for Canadian culture," she added, "no one else will."

Copps's preliminary pact with approval in some quarters. The Institute of Canadian Advertising, a Toronto-based group that represents ad agencies, supports the government's action. "Our position," said Robert Breiden, the institute's president, "is to find a legal and fair way to maintain the status quo, and we believe the government has done that." But in an upsurge of industry split, Ben Lund, president of the Toronto-based Association of Canadian Advertisers, says, "We're 100 members in the U.S. government, last week in Toronto, International Trade Minister Sergio Marchi and Heritage Minister Sheila Copps unveiled a series of steps designed to promote and protect Canadian periodicals. These include

Washington is now gearing for battle. U.S. Trade Representative Charles Romoletto said Canada is simply replacing its old discriminatory rules with a new way to keep U.S. companies from doing business in Canada. She pledged to dispatch trade experts



# An obsolete future?

New competitors are besieging the banks

Information and communications technology is rapidly transforming just about every field of human endeavor. Nowhere is the pace of change faster than in financial services. Automated banking machines, credit cards, debit cards, smart cards, telephone banking, PC online banking, Internet banking, electronic cash—the revolution is radical and permanent—and the revolution is just getting underway. Consumers now have so many high-tech options that bankers themselves have been known to exclaim, "Thinking is essential; banks are not."

Technological wizardry in new payment methods and in new delivery systems allow banks to offer customers the convenience of banking anywhere, anytime. But it also makes it easy for other institutions to do the same. The result is a host of new competi-



tors, here or on their way. These include newcomers to financial services such as telecommunications giants and even super-market chains such as Sainsbury's in England and Loblaws in Canada. They also include newcomers to local markets such as foreign institutions like Dutch bank ING and Wells Fargo that offer financial services over the telephone and the Internet.

CIBC Chairman Al Flood points out that virtually all of the new competitors direct Canadian banks—in resources, technology and continents of scale and senior. In the 1970s, CIBC was among the 30 largest banks in the world. Today, following a wave of mergers in Asia, Europe, Latin America and the United States, it is 62th.

Non-bank competitors are equally large. Flood gives an example: Standard, Canadian G.E. Capital, a competitor in areas such as car leasing and corporate finance, is 15 times the size of CIBC and more than three times larger than all Canadian banks combined.

As a result, banks face serious threats. TD Bank Chairman Charles Balfour told the Liberal caucus last week on financial institutions in June that foreign specialists are targeting "our core franchise and our most profitable customers," and without mergers, Canadian banks are likely to be left with the "least attractive" business.

Banks are also in danger of losing their dominant place in the payments system—the core of the financial system, which is about every transaction in the economy is cleared or settled, and hence another source of bank revenue. As people switch from cheques to debit cards, stored-value cards and other forms of electronic banking, non-bank competition poses a growing chal-

lenge. In Canada, non-banks already have indirect access to the payments system, through the banks, but they are pressuring for direct access. That is one of the key issues that the federal government's task force on the future of Canadian financial services is studying.

As non-banks invade the payments system, banks face not just a loss of revenue, but also reduced access to information on customer behavior—a valuable competitive tool that can be used in marketing, advertising and identifying new business opportunities. Banks everywhere are worried about this. Banking today is basically an information value-added business. As a leading American banker William Bantle puts it, "Control of the gateway to information is the weapon of information, and the prize in control of the payments system." Many fear the prize will go to software companies like Microsoft and Intel, which produces the popular consumer-management software Quicken.

The growth of competition in financial services on the Internet is likely to sky rocket. Its appeal to financial services is profound. Not only does it offer speed and convenience to customers, a website costs little compared to a bricks-and-mortar branch. And from one website, a business can serve the world. According to U.S. President Bill Clinton's state policy adviser for electronic commerce, Ira Magaziner, electronic commerce will be the primary engine of economic growth over the next 25 years. Activity on the Internet is already phenomenal, by whatever measure—number of people online, hours per week online, number of Internet hosts. Even China is going online. Experts say Canada is the most wired country per capita in the world. Canadians also are quick to use banking technology. And when today's computer-literate school children enter the labor market, they will be even more computer-savvy.

None of this is happening overnight, but Canadian banks must be ready. Their ability to meet competitive demands will depend in great part on their technological superiority. Information and communications technology changes rapidly, so huge investments are necessary. As well, bankers are not high-tech people. Software companies and telecommunications giants have a decided edge there. So huge investments will also be needed in training.

In 1995, the Bank of Montreal spent \$640 million on research and development, while Citibank spent \$3 billion. Will Canadian banks be able to make the further investments necessary without mergers?

Or—and perhaps the basic question—will so many newcomers in the market, with Canadian currencies they have their own Canadian full-service banks?

JOAN FOREY

Deirdre McMurdy



# Trading in temptation

Oscar Wilde was not likely referring to Bay Street or boardrooms when he declared that the best way to conquer temptation is to yield to it. But several recent events suggest that his words have been taken seriously by some investors.

Temptation is ever present for those who have insight into the fortunes of a publicly traded company. Securities laws and corporate codes of conduct may establish rules for the appropriate actions of directors and senior managers who own shares, but they can be difficult to enforce. It is almost impossible to ascertain who knew what, when. And it is equally awkward to prove that stockholders snafu drove the sale or purchase of stock.

Still, it is generally accepted that truly effective board members should have a significant personal stake in the companies they direct. Ownership suggests an alignment of interests with those of minority shareholders, rather than management, making them a sturdier line of defence against abuse.

The ouster of Al (Clayton) Dunlop from the helm of SunLife in June was a last-bow example of this wisdom. Even though Dunlop dominated his board and appeared a number of times to it, he also ensured they were SunLife stockholders. And as the company's finances began to unravel, that personal exposure to the stock was a key factor in their decision to remove him as chairman and CEO.

But share ownership by those with access to sensitive information can also be treacherous. The Ontario Securities Commission is investigating Michael Cowpland, chairman and CEO of Corel Corp., for selling over \$25 million in stock just before profits made a comeback. When Cowpland sold his shares last August, they were trading at an average of \$8.50 each. Within a month of the trade, disappointing third-quarter earnings pushed Corel stock down to around \$4 a share. It now hovers just over \$2 a share.

In July, William Flanagan was ousted from the board of CanWest International for selling \$2.6 million worth of stock just two weeks before the release of unexpectedly weak financial results. On paper, the company would earn two cents a share rather

than the projected 15 cents a share, CanWest stock fell almost 87 in a single day.

Buying in can be just as tempting as selling out. A few weeks before SunLife bought The Phoenix Fund, director Stephen Janowski suddenly accumulated 20,000 shares, although he had not previously bought any SunLife shares since 1980. The stock gained over \$2 on a public announcement of the news, allowing him to book a profit of about \$24,000.

In each case, the directors later cite coincidence rather than conflict of interest. Cowpland says he needed to pay off some personal debts. Flanagan says he needed the cash of Corel's stock to pay for his "material nonpublic insider knowledge," Janowski also swears that he had no inkling of the imminent acquisition.

Nevertheless, the trades led to personal pain in each case. Furthermore, these transactions are alarming because they suggest that directors are not savvy enough to detect performance trends, nor are they prone to crucial information about the companies they serve.

The SunLife situation is especially troubling because Janowski is a professional money manager. A growing number of institutions have begun to demand representation on the board of companies in which they own a large stake. But given the intense competitive pressure to attract and retain clients, these institutions are especially susceptible to the temptation of betting on a well-known hand, even if they do not have hard facts at hand.

The Ontario Securities Commission announced last month that it is beefing up its enforcement arm, hiring about 60 new staffers for its enforcement and compliance department. A more vigorous watchdog is clearly in order. But when it comes to stock trades, it is imperative for directors to know the spirit and not just the letter of the law. In an era when corporate governance issues are fueling getting some long overdue attention and respect, it is abusive to squander the insight trust of a directorship. It may be hard to imagine, but some things actually are more important than short-term financial gain—and there will always be another temptation to yield to.

**Directors must honor the spirit and not just the letter of the law when buying and selling their stock**

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## PHILIP SUES WAXMAN

Philip Services Corp. filed a \$300-million lawsuit against former executive Robert Waxman and others it sued were behind the Roger Federer trading tied to the company's financial troubles. But Waxman said the trader who allegedly cost the Hamilton waste-services company \$110 million does not exist and Philip is using the excuse to cover up its accounting problems.

## HERE COMES IVANA

Zellers Inc. said it will open a line of smaller stores called Best Value to maintain its hold on the discount market and advance to move upscale. The stores will average 20,000 square feet, compared with 90,000 or more for the average Zellers. To burnish its image, the Unit of Toronto-based Hudson's Bay Co. announced that Irena Trump will launch its fall ad campaign.

## FONOROLA LAYOFFS?

Carl-Nel Enterprises denied a published report that it plans to cut half of the 600 people employed at the Montreal office of Fonorola Inc. The Woodbridge, Conn.-based company estimated that 40 people, mostly executives, have lost their jobs but said no other layoffs are planned. Carl-Nel, the parent company of Sprint Canada, bought Fonorola for \$1.4 billion June.

## VOISEY'S IN JEOPARDY

Iron Ltd. said low metal prices may force it to slash up to 1,000 more jobs and delay development of its giant Nevada fly roller steel in Labrador. The Toronto-based company said it cannot afford to open a \$1.5-billion smelter and refinery in Argentina, NIS. But Newfoundland Premier Brian Topp accused Iron of breaching its promises and said work at Voisey's Bay will not proceed unless a smaller is built.

## ROLLS-ROYCE MIX-UP

Rolls-Royce PLC, the U.K.-based jet-engine maker, said it will sell the Rolls-Royce brand name for \$80 million to BMW of Germany even though its German archival, Volkswagen AG, paid \$1.2 billion for Rolls-Royce Motor Cars Ltd. last month. It retained exclusive rights VW did not allow the Rolls-Royce brand name and logo. The company said it will produce the Bentley line of luxury cars instead. BMW plans to create a new Rolls-Royce company.

## The strike nobody won

Workers at two General Motors Corp. plants in Flint, Mich., ended a walkout that paralyzed the auto giant's North American operations after a tentative agreement between the United Auto Workers union and the company. The stoppage ridged 180,000 workers, including 15,000 in Canada, and cost GM more than \$1 billion in lost profits, as both sides were badly bruised when they settled. Many of the same issues that triggered the strike will surface again in contract talks next year. The UAW did score a victory when it persuaded GM to invest \$200 million to upgrade car plant aimed for closure. The company also agreed to withdraw participating, though it will expire in January 2008. In return, GM was a pledge from the union to improve productivity, but failed to get rid of "piece-rate" rates, which allow workers to finish work early once they have reached specific quotas.



The celebration in Flint, a low-key situation.

Canada could, however, emerge as the winner in the standard U.S. Analysts say GM may invest more in Ontario, where most labor laws protect workers during collective agreements. But for now, both sides are kicking their heels. "It was a lose-lose situation," said David Nisley, an auto analyst based in New York City. "I don't think they accomplished anything they couldn't have back in June."

In fact, it was exempted from the rules limiting a foreign company from owning more than one-third of the stock of a Canadian telecom carrier. But analysts believe the U.S. companies will not be forced to divest their Canadian holdings because of international pressure on Canada to open its telecom market to foreign ownership. GTE owns 31 per cent of BCE Telecom, Canada's second-largest phone company and all of Quebec Telephone Co. (Bell Canada). Because CTE bought its stakes in the companies before ownership controls were in

## A test for telecom law

By Atlantic, the largest U.S. local phone carrier, and GTE Corp., a local and long-distance company, announced a \$25-billion merger that will test Canada's restrictions on foreign ownership. GTE owns 31 per cent of BCE Telecom, Canada's second-largest phone company and all of Quebec Telephone Co. (Bell Canada). Because CTE bought its stakes in the companies before ownership controls were in

## FINANCIAL OUTLOOK

As the financial crisis unfolded both the Canadian and U.S. economies in May. Adjusted for inflation, the U.S. output of goods and services—real gross domestic product—slipped on an annual rate of 1.4 per cent, a sharp drop from the May 2007 5.5 per cent pace posted for the first three months of the year. Canada's real GDP added to the dollar's woes, dipping 0.2 per cent in May after holding steady in April.

In the United States, consumer spending remained robust, rising 3.8 per cent in May from the same period last year. But in another blow

to the loan, Canadian consumer spending, which has been strong, showed signs of slowing. June department store sales dropped 4.9 per cent from May.

"While department store sales accounted for less than 10

## CANADIAN DEPARTMENT STORE SALES

Percentage change year over year



per cent of the retail pie, the Canadian economy has clearly slowed from its strong first-quarter pace to 2.5 per cent annual rate."

—Nasib Burns

"The end of the GM and (Ontario) construction strikes puts a dent in the outlook for the third quarter. Autos and construction should drive slowing back, helping to reverse the deflationary in consumer confidence that has come about with the weakness in the house."

—Scott Black

## Sports

## The Tour de shame

The sports world reels from new drug scandals

So much for merit. Twice during last week's 11th stage of the 21-stage Tour de France, all 116 riders stopped and sat down on the road in mid-race. Later the same day, the competitors ripped off their jerseys and—cast across the finish line in Ambleville in a park. Along the way, French star Laurent Jalabert, the world's best-ranked rider, announced he was fed up. "I can't continue under these conditions, being treated like a criminal," he told reporters, explaining why he and the rest of his 116C1 team quit the race. The riders' complaints? French police had been asking, interrogating and even jailing athletes, medical staff and coaches after discovering banned drugs in several riders' gear. Swiss star Armin Meier was one of a handful of competitors who admitted to police they had used a performance-enhancing substance known as EPO to counter their exhaustion during the grueling 167.7-km race. "Yes, I said that I had used EPO, how I took it and why I took it," Meier said, adding, "I just the victim of a system."

On several fronts last week, international sports officials were facing the war against drugs. The debate, in fact, was set when International Olympic Committee president Juan Antonio Samaranch told a Spanish newspaper he was considering a more lenient approach to certain performance-enhancing substances. Then in France, more teams and riders were implicated, further discrediting the world's most prestigious cycling competition. In the United States, the International Amateur Athletic Federation suspended two prominent American athletes, sprinter Dennis Mitchell and shot putter Kimberly Barnes, for "world record holds, for positive tests for testosterone and androstenedione, respectively. And at the World Basketball Championships in Athens, a Nigerian player was thrown out for using a banned stimulant. Casey Wade, director of drug abuse at the Canadian Centre for Ethics in Sports in Gloucester, Ont., said the slew of positive test results just scratching the surface. "I don't think people should be overly surprised," Wade said. "There are simply not enough effective drug-testing programs around the world."

The Tour scandal was certainly not a revelation—behind the scenes, EPO has been some cyclists' drug of choice for a decade. It is a synthetic form of a hormone called

erythropoietin, which, when released by the kidneys, causes bone marrow cells to transform into red blood cells. The synthetic version was designed to fight anemia in patients who had suffered kidney failure, and helps athletes in endurance sports by increasing their red cell count, which in turn enables them to absorb more oxygen in high doses.



Crossing the finish line in the Tour's 11th stage, by the end, many teams had simply quit.

though, EPO thickens the blood and improves, and its misuse is linked to deaths of athletes among athletes. Until last month, there was no deterrent to using EPO: sport officials had yet to approve a reliable test for the substance.

But the police in France changed that, and they sent shock waves through the team camps. Going into the final weekend of the Tour, only 14 of the starting 21 teams were still racing towards the Aug. 2 finish at the Champs-Élysées in Paris, and cycling authorities faced the realization that cleaning up the sport was only way to polish the tarnished reputation of the Tour itself. "It will probably take years for the Tour to regain the grandeur it once had," says Patrick Bouchard, executive director of the Canadian Cycling Association.

"And that's too bad, because it's almost impossible. The IOC, meanwhile, was furiously backpedaling from Samaranch's untimely remarks. Among other things, Samaranch was quoted in *El Mundo* as saying that the list of legal substances should be reduced and that only drugs that endangered the health of athletes should be banned. The organization hurriedly announced it was convening a special board meeting on Aug. 20 in Lausanne, Switzerland, to investigate new tests for cheats. That did little to soothe the outrage in the drug-conscious community over Samaranch's comments. "The way of doping is a poison," said Germany's Udo Hoffmann, honorary president of the World Association for Sports Medicine. "That would be an unbelievable step backwards."

In North America, there was consternation over the announcement of Mitchell's

positive test. It was conducted in early April, yet it wasn't declared until after his last competition last month a Goodwill Games on the winning U.S. 4 x 100m relay team. It may eventually mean that Canada, which finished second in the relay, could be awarded the gold medal. But Wade, among others, wonders why a test result that could have been confirmed in one week was withheld for more than three months. "It fundamentally breaches the rights of athletes who want to compete in a drug-free environment," Wade says. "Just look at the other three guys on the U.S. relay team, who now stand to lose their gold medals." For one week, at least, cheaters did not prosper.

JAMES BEACON

# Health Well and untreated

BY BARBARA WICKENS

With its purple, yellow and turquoise walls and kitschy decor, the Raging Spoon looks like any number of trendy restaurants along Toronto's Queen Street West. The food is typical diner fare, with tasty home-made soups, sandwiches and baked goods on the lunch menu. But there is one difference: all 21 staff members have been diagnosed at some time with a serious mental illness. For them, the restaurant and its affiliated catering business do not just offer good food to the public. They also provide real—and make-work—jobs for people often deemed unemployable. "A job gives you identity as a person contributing to society," says Dini Desnoes, manager of the eatery since it opened last September. "It gives you self-esteem—and some money in your pocket." All of which is a lot better than the alternative for many an unstable, trouble-plagued life on the street.

On genetically any day on the sidewalks of Canada's largest cities, a passerby is liable to encounter those bizarre-looking fellow humans: panhandlers who haven't bathed in a month, individuals obviously conducting both sides of an argument, people whose demonstrative words and actions seem wildly inappropriate. To many casual observers they seem dangerous. And when one of these creatures violently erupts, it can make international headlines. In a spectacular incident in the United States last month that played to the public's worst fears, a paranoid schizophrenic, Russell Weston Jr., was charged with two murders after bursting into the Capitol building in Washington and firing at security guards. In Toronto, six people have been shaved off subway platforms by strangers into the path of oncoming trains in the past 12 months—adding one to the list of evidence that too many unstable people are being released into so city without proper supervision.

Those who best know Canada's mental health-care system—the caregivers, providers and advocates—say that when it comes to the numbers, people's perceptions are accurate. There are more mentally unstable people on the streets, one result of the massive reform that has affected most provincial health-care systems. Operating under the mantle of "community care," politicians have shut down hospital beds, admitting fewer people and putting them back out faster, and then delivering a range of services, from drug-testing to providing meals, to people in their own neighbourhoods and homes.

Unfortunately, however, community care often works better in theory than in practice. Without adequate community treatment facilities in place before the beds are closed, the effect can be devastating, says Sylvia Geist, Toronto-based president of the Schizophrenia Society of Canada. In an all-too-common scenario she describes, a patient discharged from hospital will have only a subsidized or dangerous boarding house to go home to. Some may decide they are better off on the street, but without a proper address, they may not be eligible for a variety of social services, including health care. They do not get medical treatment when their symptoms are mild, instead it takes a crisis to get them back into hospital, voluntarily or involuntarily. In other cases, they are arrested, and depending on the circumstances, end up in the criminal justice system. It becomes a vicious circle. "The more



**Gully (left) at the Raging Spoon: a job that provides not just money but an identity as a person making a contribution to society**

solving door cycle is very, very high," says Geist.

As for the perception that the mentally ill are especially prone to violence, that is just plain wrong, experts say. Studies have shown time and time again that they are no more violent—in fact, they are less likely to be violent—than members of the general public, says Steve Lewis, executive director of the Toronto branch of the Canadian Mental Health Association. The studies have shown, he adds, that the best way to predict who will be violent is to see who has a previous history of violence, not a history of mental illness. Three of Toronto's six accused subway patients have a history of mental illness—but three do not.

Negative stereotypes can profoundly affect the lives of the mentally ill. Lewis notes that only 25 per cent of

those with a mental illness ever get treatment. "People wouldn't stand for it if only 25 per cent of cancer sufferers or those with heart disease received treatment," he adds.

One of the most controversial methods for dealing with the sometimes odd behavior of the mentally ill is mandatory medication. Discharged psychiatric patients are required to show up at a designated time and place and take their prescriptions. If they did to do so, they can be picked up by police, and be reinstituted. The Saskatchewan government, for one, introduced Community Treatment Orders in 1985 and other provinces, including British Columbia and Manitoba, have been considering making similar provisions. There is a good rationale behind such laws, says Laura Erack, president of the Saskatchewan Schizophrenia Society. "When the brain is the organ that is ill," says Erack, "some people never exhibit insight into their illness and can't decide what is best for themselves." But opponents call the restrictions harsh laws and say they are an abuse of human rights.

Even those who agree that there will always be a small minority who will require prescription drugs stress that medication is not the whole answer. Adequate housing, access to 24-hour day-care centres, residential rehabilitation and self-help groups should all be part of the equation, say mental health advocates. And they need those services close to home, where they can benefit from the informal support systems of family and friends.

Some jurisdictions are getting the message. In British Columbia, for instance, health minister Joy MacPhail announced a \$125-million reform of the province's mental health-care system in January. Among a range of projects, the seven-year plan includes replacing the province's one acute psychiatric institution, River View Hospital in Vancouver, with 600 beds in smaller facilities throughout British Columbia. Nova Scotia is undergoing a similar regional overhaul. A 22-member steering committee established last fall is in the process of setting standards, determining how services can best be delivered and how needs vary among the four regions. "We are bringing decision-making closer to the community," says Dr. John Campbell, mental health-care planner with the Nova Scotia department of health in Halifax.

Joining Campbell, who is chairman of the steering committee, are mental health-care providers, including psychiatrists and social workers, advocacy groups such as the CMHA and the Schizophrenia Society of Nova Scotia—and the mentally ill themselves. Their presence on the committee recognizes the once-ignored notion that they can and should have a say in their care, treatment and quality of life.

That is a huge shift in attitude from the paternalism that once saw

## MENTAL ILLNESS: Myth and reality

**Some facts about mental diseases that will strike one in five Canadians at some point in their lives:**

- ▶ Cost of mental illness to Canadian taxpayers, including lost productivity, absenteeism and health-care expenditures: \$4 billion
- ▶ Percentage of the population with schizophrenia, the most serious mental disease: 1; mood disorders, including depression and manic depression: 10
- ▶ Percentage of Canadians who believe the mentally ill are dangerous or violent: 80
- ▶ Ratio of violence among the mentally ill to that in the general population: 1:1

SOURCE: CANADIAN MENTAL HEALTH ASSOCIATION

the "mentally defective" locked away in insane asylums. Change began in the 1960s with the introduction of powerful anti-psychotic drugs. With the worst of their behavioral problems controlled by the drugs, inmates could be de-institutionalized. From 1960 to 1970, nearly two-thirds of Canada's institutional 45,000 beds for the mentally ill were closed, though some were added in general hospitals. "There was a good reason these places were closed," says Lewis. "They were awful places, just warehouses, really."

The current trend of bed closures will be equally unaltered—if adequate community supports are in place. But even when politicians do allocate money for such initiatives, critics are cautious. It is really a new admission of cash—or an alarming shrug of hands? And will the money truly materialize? "Where has the money gone that was used by closing beds?" asks Rev. Gary, executive director of the H.C. division of the CMHA. "Into pavement and parking? I'd like to know."

What it takes to make things happen is money and political will. Garry is a reformer who sees positive changes in New Brunswick as an example of what can happen when these elements are in place. For instance, St. John's population, 200,000 now has 14 mental health nurses, up from just one before reform began in 1988. That has enabled the province to close its one psychiatric institution, the 1,700-bed Centre-care Inc. In St. John's, Garry notes that one reason that New Brunswick was able to implement reform was consistent government policy. The Liberal government has been in power for the past 10 years, with a strong health ministry. "We need that kind of continuity," says Garry, during most of that time. Adds a registered-nurse social worker, "B.C. has had five health ministers in the years."

Not everyone is relying solely on government. The Ontario Council of Alternative Business, an organization of so-called survivor-run operations, gets money from the provincial and federal governments. But its 11 members—which, as well as the Raging Spoon, include career and cleaning businesses, a wood-working company and a scruff-collective in several communities—pay their employees wages. And the benefits for the more than 600 workers appear to go well beyond a paycheck. According to co-ordinator Dina Crippen, independent studies have shown that the people working at these projects were admitted to hospital once every two years, down from two to three times a year before they were working. "And when they did end up in hospital," Crippen adds, "stays were shorter."

At the Raging Spoon, such considerations do not appear to take centre stage. But those who work in the haven of the restaurant provide know they are setting an example. Says cashier waiter Kerry Cully: "We want to show the world what we can do." Just something most people want to do. □

# People

Edited by  
JAMES DEACON

## An ingenue's big break

It has been a fast ride to the top for Trish Lindstrom. Little more than a year ago, the 19-year-old theater student was just one of the crowd at Turner's Eisenhower School of the Arts. But when she scored her audition for *Osama's* Stratford Festival last August, she found herself starring as the young Helen Keller in this summer's hit drama *The Miracle Worker* by William Gibson. Playing opposite Cynthia Dale as Anne Sullivan, Helen's persistent teacher, Lindstrom speaks so lines but conveys a universe of meaning through dead-and-blind Helen's explosive, animal-like movements. "For the past couple of months I've had Helen completely in my body," Lindstrom says, adding that the hard part is remembering to concentrate. "Because I know the part so well, I could like the entire thing. But it wouldn't work. I have to keep thinking, to concentrate. Helen's intentions to the audience."

Five minutes before each show, Lindstrom—who normally lives in Oakville, Ont., with her mother, an elementary school teacher—prepares by turning out the lights in her dressing room and say a few lines from Helen Keller's writings. One of her favorites, "Anger and bitterness preyed constantly on me for days." Critics and audiences have raved over her performance, but Lindstrom says that during the long rehearsal process, which began last February, she was constantly torn by doubts about her abilities, and intimidated by the presence of so many veterans actors. "I felt as if my life had expired," she recalls. But when she opened night ended with a standing ovation, she stood facing the audience and wept. "My life had come together again," she says. "It was the first time I felt I truly belonged on that stage."



Lindstrom: playing Helen Keller at Stratford has been an emotional ordeal with a triumphant ending

## Trailblazer and Hall of Famer

As a boy growing up in Camden, S.C., and later in Paterson, N.J., Larry Doby never dreamed he'd be inducted to Baseball Hall of Fame. Little wonder—only white players made it to the Cooperstown, N.Y., shrine back then, because only white men were allowed to play in the Major Leagues. But then rising through the 1947 season, Doby was recruited from the Newark Eagles of the Negro National League to play for the Cleveland Indians, becoming the second African American after Jackie Robinson to play in the majors and the



first in the American League. A shapely outfielder, he helped the Cleveland Indians win the 1948 World Series, won two AL home-run titles, and was named to seven all-star teams in his 13-year career.

But Doby was finally inducted into the Hall last week largely for his role in breaking the game's color barrier. Like Robinson, he endured—without rising to the bait—dropping vicious racial slurs from fans, opponents and even his teammates. Now 74 and a consultant to American League president Gene Selig, Doby says he is proud to have been a part of integrating baseball. "To show people that we can live together, work together, play together, and we can be successful together."

Doby in the '40s: "we can play together"



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# Man for all seasons

Sir Thomas More is known for a rare integrity

## THE LIFE OF THOMAS MORE

By Peter Ackroyd  
(Random House, 435 pages, \$40)

One summer morning in 1535, a big, bald, bearded man was led to a scaffold near the Tower of London, where his head was cut from his body without fuss. Sir Thomas More had once been Lord Chancellor of England, the second-most powerful man in the realm after the King himself. But now his head was bowed, stuck on a pole and displayed on London Bridge, an object of mockery More died because he would not do what hundreds of lesser officials had done: swallow his scruples and swear an oath recognizing King Henry VIII as the new head of the Catholic Church in England. The devout More saw the church as indivisible and the Pope in Rome as its true head. For his faithfulness, the church made him a saint. But even for non-believers, his name has become synonymous with a rare kind of integrity.

Today, More is most famously recalled in Robert Bolt's 1960 play, *A Man for All Seasons*, a fine version of which is currently playing at Ontario's Stratford Festival. But in his fascinating and perceptive new biography *The Life of Thomas More*, English writer Peter Ackroyd argues that the popular view of More as a kind of isolated, quasi-mystical hero who stood up to arbitrary power is wrongheaded. To us he seemed More, Ackroyd writes, it is necessary to see him within the context of the late Middle Ages, when every aspect of life, from politics to law to household management, was saturated with religious practice and meaning. More believed in that tradition, called order. He feared that Henry VIII's radical church reforms, while undertaken to allow the king to divorce Catherine of Aragon and marry Anne Boleyn—actions the Pope refused to sanction—would cut deeply into the church's powers and lead to a more secularized state. When More opposed Henry, he was not defying his conscience, he was defending a way of life.

That deeper meaning of More makes his

story at once more tragic and more relevant to today's highly secularized world. No doubt, More would have regarded contemporary society, with its unceremonious constancy, as the triumph of the anti-Christ. In 1478, he was born into a very different world. His wealthy father, Sir John More, was a prominent London lawyer. His mother died of an epidemic when More was seven. Ackroyd brilliantly reconstructs



More: he and his supporters were unable to save the old England

the blameworthy, deeply religious society in which More gradually advanced towards high office, first as a page to England's Lord Chancellor, then as a lawyer superbly proficient in speaking and writing Latin, the language of the courts. Like many successful men of his time, More also added cause frequently, gave generous alms, and took part in the religious processions that often wound through London's streets. "No other Western European city," writes Ackroyd of London's scores of parish churches, "could boast so many sacred places."

Ackroyd's 14 books, including novels such as *Humblyton* and *English Manic* and biographies of Dickens and Blake, can be read as a rich, continuing essay on the life of his beloved home city. With *Thomas More*, he offers his most considered portrait of a Londoner yet. A man of many contradictions, More wore a thin shirt under his sumptuous gowns of office, and ran his household with the strictness of a religious order, with Bible discussions during meals. Yet his family seems to have adored him—he punished his children only by tapping them with a pocket watch—and he was renowned for his merry wit. He was known, however, in defense of his faith, life and his friend, the great humanist scholar Erasmus (who wrote his famous book, *Praise of Folly*, while staying in More's house) were dedicated to purifying Catholicism from within. This meant waging a verbal war with those university scholars who had overboarded holy writ with callous, heart-splitting commentary.

More fought a much fiercer battle against enemies without, including Martin Luther and other leaders of the new Protestant sects. More replied to Luther's scurrilous pamphlet attacking Henry VIII by writing that the reformer was "an ape, an ass, a lousy little traitor," and suggested it would be a good idea if someone defecated in his mouth. As Lord Chancellor he pursued heretics vigorously and condemned some of them to be burned alive. This is disturbing behavior for a future saint, but Ackroyd—who is clear in More's death—plays down any hint of sadism in his hero.

More did everything in his power to avoid his final quarrel with Henry. He resigned his great office, he made appeals of loyalty, he resented into silence and obscurity. But he was finally tried by a rigged court and condemned. The biography movingly describes how More's daughter, Margaret—she was reputed to be the dearest, best-loved of women in the kingdom—repeatedly broke through the ranks of his guards to kiss him goodbye. More had lost more than his family: he and his supporters had lost their battle to save the old England. In another 40 years, a repressed English Catholicism would be largely replaced by the more direct and resisted Protestant faith. "There would be no more lights and images," Ackroyd comments pathetically. "Too many plagiarisms and processions, too much plays and no rousing for the dead, no suppers or holy water, no roses at Corpus Christi." The English More gave his life for would be dead.

JOHN BENROSE

## APPARENTLY SPINAL CORD INJURIES DON'T ALWAYS AFFECT YOUR BACKBONE.

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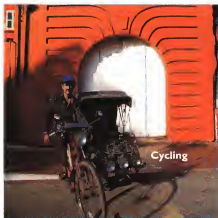
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Cycling



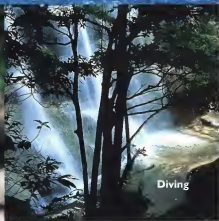
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